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## *AMERICAN ECONOMIC ASSOCIATION.*

The American Economic Association is an organization composed mainly of persons interested in the study of political economy or the economic phases of political and social questions. As may be seen by examining the list of members and subscribers printed in this volume, all universities and most prominent colleges in the country are represented in the Association by their teachers of political economy and related subjects. A large number of members also are drawn from those interested as business men, journalists, lawyers or politicians, in the theories of political economy or, more often, in their applications to social life. There are also more than one hundred subscribers, nearly all being large libraries.

The annual meetings of the Association bring together for professional and social intercourse many teachers and public men. In 1897 and 1898 the American Economic Association met in joint sessions and less formal gatherings with the American Historical Association and it is now expected that this custom, in force at the first two meetings of the Economic Association in 1885 and 1887, will be continued at Detroit in 1900. The annual meetings contribute not a little to create and cement acquaintanceship and friendship between teachers of economics and cognate subjects in different institutions, and so to counteract any tendency to particularism which the geographical separation and the diverse traditions of American colleges might be deemed to foster.

The Publications of the Association, a complete list of which is printed at the end of this volume, were begun in March, 1886. The first series of eleven volumes, comprising over six thousand three hundred pages, was completed by a general index in 1897. Meanwhile, in January, 1896, the bi-monthly Economic Studies were begun. Of these four volumes, containing, with the supplementary Hand-Books of the annual meetings, nearly six hundred pages each, have now appeared. In addition to the Studies there were also issued, in a new series of the Publications, two large monographs, one a pamphlet of 400 pages on the cotton industry of the United States, the other an elaborate critical discussion, written by more than twenty statistical experts and extending to five hundred pages, of the methods and results of the Federal Census. It is believed that some of the suggestions of improvement made in this volume will bear good fruit in the census of 1900.

The Council of the Association has directed that in the future the Studies be discontinued, and that a quarterly publication of octavo form be issued under the title of Publications of the American Economic Association. The first number of this issue contains the Proceedings of the Twelfth Annual Meeting. It is intended to add to the quarterly numbers, from time to time, larger monographic supplements as the condition of the treasury and the supply of suitable manuscript may make possible. But in any case members and subscribers are assured of issues sufficient in quantity and quality to afford a generous equivalent for their dues.

The officers of the American Economic Association and the contributors to its Publications receive no pay for their services. Thus the entire receipts of the Association are expended in printing and circulating the



Publications and in the slight expenses attendant upon the annual meetings. Any member, therefore, may regard his annual dues either as a subscription to an economic publication, a payment for membership in a scientific association, or a contribution to a publication fund for aiding in the publication of valuable manuscript that might not be accepted by a publishing house governed primarily by motives of profit, and that could not be published by the writer without incurring too heavy a burden of expense.

# CONSTITUTION.

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## ARTICLE I.

### NAME.

This Society shall be known as the AMERICAN ECONOMIC ASSOCIATION.

## ARTICLE II.

### OBJECTS.

1. The encouragement of economic research, especially the historical and statistical study of the actual conditions of industrial life.
2. The publication of economic monographs.
3. The encouragement of perfect freedom of economic discussion. The Association, as such, will take no partisan attitude, nor will it commit its members to any position on practical economic questions.
4. The establishment of a bureau of information designed to aid members in their economic studies.

## ARTICLE III.

### MEMBERSHIP.

Any person may become a member of this Association by paying three dollars, and after the first year may continue a member by paying an annual fee of three dollars. On payment of fifty dollars any person may become a life member, exempt from annual dues.<sup>1</sup>

<sup>1</sup> NOTE.—Each member receives all reports and publications of the Association.

## ARTICLE IV.

## HONORARY MEMBERS.

The Council may elect foreign economists of distinction, not exceeding twenty-five in number, honorary members of the Association. Each honorary member shall be entitled to receive all reports and publications of the Association.

## ARTICLE V.

## OFFICERS.

The officers of the society shall consist of a President, three Vice-Presidents, a Secretary, a Treasurer, a Publication Committee and a Council.

## ARTICLE VI.

## COUNCIL.

1. The Council shall consist of an indefinite number of members of the society, chosen, with the exception of the original members, for three years. It shall have power to fill all vacancies in its membership, and may add to its number.

2. It shall elect the President, Vice-Presidents, Secretary, and Treasurer, which officers, with the Chairman of the Publication Committee, shall constitute an Executive Committee with such power as the Council may entrust to it.

3. The Council shall organize itself into a number of standing committees upon the various lines of research undertaken. These committees shall prepare reports from time to time upon such subjects relating to their respective departments as they may select, or as may be

referred to them by the Council. These reports shall be presented to the Council at its regular or special meetings and be open to discussion. All papers offered to the society shall be referred to the appropriate committees before being read in the Council.

4. The Council shall have charge of the general interests of the society, and shall have power to call meetings and determine what reports, papers, or discussions are to be printed, and may adopt any rules or regulations for the conduct of its business not inconsistent with this constitution.

5. The Council shall elect a Committee on Publications, which shall consist of six members, so classed that after the first election the term of two members shall expire each year. This committee shall have charge of and responsibility for the scientific publications of the Association.

## ARTICLE VII.

### AMENDMENTS.

Amendments, after having been approved by a majority of the Council, may be adopted by a majority vote of the members present at any regular meeting of the Association.

## BY-LAWS.

---

1. The President of the Association, who shall be *ex-officio* a member of the Council, shall preside at all meetings of the Council and Association, and perform such other duties as may be assigned to him by the Council. In case of inability to perform his duties, they shall devolve upon the Vice-Presidents in the order of their election, upon the Secretary and Treasurer, and upon the Chairman of the Standing Committees, in the order in which the committees are mentioned in the list.

2. The Secretary shall keep the records of the Association, and perform such other duties as the Council may assign to him.

3. The Treasurer shall receive and have the custody of the funds of the Association, subject to the rules of the Council.

4. The following Standing Committees shall be organized :

- (1). On Labor.
- (2). On Transportation.
- (3). On Trade.
- (4). On Public Finance.
- (5). On Industrial and Technical Education.
- (6). On Exchange.
- (7). On General Questions of Economic Theory.
- (8). On Statistics.
- (9). On Teaching Political Economy.

The Executive Committee may appoint such special committees as it may deem best.

5. At any meeting called by the general summons of the President, five members shall constitute a quorum.

6. Papers offered for the consideration of the Council shall be referred by the Secretary, each to its appropriate committee.

7. In order to encourage economic research, the Association proposes to render pecuniary assistance in the prosecution of the same, and to offer prizes for the best monographs upon selected topics. It stands ready to accept and administer any fund placed at its disposal for either purpose.

8. The Executive Committee shall have power at any time to add new members to the Council.

9. The Executive Committee shall assign all members of the Council to one of the Standing Committees, and shall appoint the Chairmen of the Committees.

10. It shall be the duty of the Chairmen of the respective Committees to organize and direct the work of the same, under the general control of the Council.



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## *THE TWELFTH ANNUAL MEETING.*

The Twelfth Annual Meeting of the American Economic Association, held with Cornell University at Ithaca, New York, Wednesday, Thursday and Friday, December 27-29, 1899, was opened with the following words of welcome by President J. G. Schurman:

*Mr. President and Members of the Economic Association:*

I desire, on behalf of Cornell University, to extend to you a very cordial welcome. I hope you will feel at home here. The subject which you represent, being what we may call one of the modern studies, is one which we have endeavored to domicile at this University and zealously to cultivate from the beginning, and I hope that the members of the Economic Association will not accuse me of any exaggeration if I claim at the present time that Cornell University is doing its duty not only in teaching students but in its contributions to the solution of important economic problems which are now concerning the country. I hope that you will feel in a congenial atmosphere. You economists are to be congratulated just now because your subject deals with problems in which the public feels a vital interest. I see that the program is peculiarly rich. Certainly under these circumstances I will not detain you a single minute further than to repeat the welcome I have already made.

## PROGRAM.

WEDNESDAY, DECEMBER 27.

*Morning Session, 10 a. m.*

- I. Address of Welcome. PRESIDENT J. G. SCHURMAN, Cornell University.
- II. Annual Address of the President of the Association: "Economic Theory and Political Morality." PRESIDENT ARTHUR T. HADLEY, Yale University.
- III. Discussion of the President's address. PROFESSORS J. R. COMMONS, L. M. KEASBEY, E. R. A. SELIGMAN, and others.

*Afternoon Session, 3 p. m.*

- I. Senior's Theory of Monopolies. PROFESSOR RICHARD T. ELY, University of Wisconsin.
- II. The Place of the Speculator in Distribution. PROFESSOR H. C. EMERY, Bowdoin College.
- III. Taxation as a Partial Substitute for Borrowing to cover Permanent Municipal Improvements. PROFESSOR E. D. DURAND, Stanford University.

THURSDAY, DECEMBER 28,

*Morning Session, 10 a. m.*

(COMBINATIONS OR TRUSTS.)

- I. Financiering of Trusts. HONORABLE CHARLES S. FAIRCHILD.
- II. The Influence of Trusts in the Development of Undertaking Genius. PROFESSOR SIDNEY SHERWOOD, Johns Hopkins University.
- III. Some Tendencies in Recent Combinations which may become Dangerous. JAMES B. DILL, Esq.
- IV. Discussion.

*Afternoon Session, 3 p. m.*

(RAILWAY ECONOMICS.)

- I. Railroad Relief and Beneficiary Associations. W. H. BALDWIN, JR., President of the Long Island Railway.
- II. Railway Charters. DR. B. H. MEYER, University of Wisconsin.
- III. Suggestions Relative to Railway Pooling Legislation. PROFESSOR HENRY C. ADAMS, University of Michigan, Statistician of the Interstate Commerce Commission.

FRIDAY, DECEMBER 29.

*Morning Session, 9:30 a. m.*

- I. The Consumer's Label and the Sweat Shop. JOHN GRAHAM BROOKS.
- II. Plans for the Twelfth Census. PROFESSOR WALTER F. WILLCOX, Chief Statistician.
- III. Discussion of the Census. MR. H. T. NEWCOMB, Chief of the Agricultural Division, PROFESSORS R. MAYO-SMITH, R. P. FALKNER, and D. R. DEWEY.
- IV. Report of the Special Committee on Colonial Finance. PROFESSOR J. W. JENKS, Chairman, HONORABLE C. S. HAMLIN, PROFESSOR E. R. A. SELIGMAN, ALBERT SHAW.

## COUNCIL MEETINGS.

A meeting of the Council was held Dec. 27, 1899, at 2:30 P. M. with President Hadley in the chair. The report of the Secretary was read and accepted. The report is as follows :

### REPORT OF THE SECRETARY.

In accordance with the instruction of the Council (Hand-Book, 1899, p. 50) a special committee on colonial policy was constituted of the following members : J. W. Jenks, C. S. Hamlin, E. R. A. Seligman, A. Shaw, E. H. Strobel. The Executive Committee decided not to constitute a committee on agriculture.

The Macmillan Co. wrote the Secretary under date of July 26, 1898, asking him to relieve them of the Association's stock of books which had been sent to them in 1897 (Hand-Book, 1898, p. 47). After some delay the stock was shipped back to Ithaca with an inventory Jan. 28, 1899, and received in good order. Discrepancies of importance appeared between the inventories of the Association and of the Macmillan Co. and after some

discussion the Macmillan Co. agreed to assume responsibility for the shortage shown by the Secretary's inventories although denying their legal liability therefor. At the same time they gave notice of their desire to terminate the agency at the end of the six months called for under the contract. The six months are up Jan. 30, 1900, and it will be necessary for the Association to decide whether it will take steps to place a similar agency with another firm.

The request of the Council that the Executive Committee report to this meeting "upon the policy of the Association with reference to its publications" (Hand-Book, 1899, p. 51) will be complied with before this meeting of the Association is ended.

During the spring of the current year the plans of the Secretary changed in a way involving his absence from Ithaca after early June, and he will probably be in absence until September, 1901. Through these past months his duties as Secretary have been performed by his colleague, the Treasurer, to whom the thanks of the Association as well as his own are due.

[Signed]

W. F. WILLCOX, Sec'y.

The Secretary read a report of the Executive Committee in the form of two recommendations: (1) That the issue of the Economic Studies be discontinued; (2) That the report of this annual meeting be printed in monograph form.

The appointment by the chair of a nominating committee of five was ordered and the chair appointed as this committee Professors Ely, Gray, Gardner, Lindsay and Hollander. The appointment of an auditing committee of two was also ordered and the President appointed as this committee Professors Sherwood and Emery. The Council then adjourned until two P. M. Thursday.

On Thursday the Council met at 2 P. M. with Vice President Wood in the chair.

The nominating committee then reported, recommending the election to the Council of all those whose terms of office expired in 1899 and also the following members of the Association: Prof. W. F. Blackman, Mr. Wm. M. Burke, Hon. Chas. S. Fairchild, Mr. Milo R. Maltbie, Mr. Theodore Marburg, Prof. B. H. Meyer, Dr. A. F. Weber, Mr. N. A. Weston, Mr. Robert H. Whitten.

The Secretary was instructed to cast a ballot on behalf of the Association for the foregoing nominees and he did so.

The nominating committee also recommended the following list of officers for the ensuing year: President, Prof. Richard T. Ely; Vice Presidents, Theodore Marburg, Prof. F. M. Taylor, Prof. L. S. Rowe; Secretary and Treasurer, Prof. C. H. Hull; Publication Committee, Prof. D. R. Dewey, Prof. F. M. Scott.

On motion and explanation by the Treasurer the consideration of these nominations was postponed pending the decision of the future policy of the Association regarding its publications. The Treasurer then presented a statement regarding the finances of the Association.

The following resolution, introduced by Professor Mayo-Smith, was passed:

*Resolved*, That the Publication Committee be directed

1. To discontinue the issue of *Studies*.
2. To begin a quarterly publication under the title *Publications of the American Economic Association* of the form of its previous octavo issues.
3. To include in this issue the proceedings of the annual meeting and the Constitution and list of members.



4. To issue all monographs as regular numbers or as supplements in the quarterly series.

The question of the mode in which the Publications of the Association should be marketed was referred to the Executive Committee with power.

The Council then adjourned to meet at 5 o'clock.

In the meeting of the Council at five P. M. it was moved and carried that the names of the present Vice Presidents be substituted for those reported by the Committee. It was thereupon voted that the Secretary be instructed to cast the ballot for the Association in favor of the amended list of nominations.

The nominating committee further recommended that the next meeting be held at Detroit provided the American Historical Association meets then, otherwise the place of meeting be determined by the Executive Committee, and the recommendation was adopted.

The auditing committee reported that the Treasurer's reports and papers had been examined and found correct and the report was accepted and filed.

#### SUMMARY OF THE TREASURER'S REPORT, 1899.

CHARLES H. HULL, Treasurer,

*In account with the American Economic Association  
for the year ending December 27, 1899.*

##### *Debits.*

Cash on hand as per last report.....	\$ 609 40
Sales and subscriptions,	
The Macmillan Company.....	\$848 69
Charles H. Hull, Treasurer.....	392 57
	<hr/>
456 annual dues.....	1,241 26
	1,368 00

##### *Credits.*

Publication expenses.....	\$1,892 10
Expenses of Secretary's office .....	496 15
Expenses of Treasurer's office .....	69 05
Expenses of eleventh meeting .....	74 80
Interest .....	10 00
Cash on hand.....	676 56

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\$3,218 66    \$3,218 66

Examined and found correct, 12-28-99.

[Signed]

SIDNEY SHERWOOD,  
H. C. EMERY,  
*Auditing Committee.*



The Executive Committee was authorized to create special committees on the Economic Condition of the American Negro and on the Economics of Agriculture. The same committee was directed to prepare resolutions of thanks to Cornell University, and the Council then adjourned without day.

## RESOLUTION OF THANKS.

On December 27, the following resolution was adopted in general session of the Association :

*Resolved*, That the thanks of the American Economic Association for the generous hospitality extended during its Twelfth Annual Meeting be tendered to President Schurman and the officers of Cornell University ; and that the Association also desires to express its hearty appreciation of the courtesies offered by the members of the Town and Gown Club of Ithaca.



## PAPERS AND DISCUSSIONS.

### ECONOMIC THEORY AND POLITICAL MORALITY.

BY PRESIDENT ARTHUR T. HADLEY, LL.D.

At our meeting a year ago, I had the honor to address this Association on the relations between economics and politics. At that time I sought to indicate at once the need of an increase of influence to be exerted by economists upon the political world, and the method by which such increase might best be attained. On the fact that such a change was needed there seemed to be no difference of opinion. But on the method by which it was to be accomplished there was much more diversity of view. Certain members went so far as to regret that in the brief time which was given for discussion no adequate opportunity was afforded them to develop different, and to some degree antagonistic, ideas, with regard to the means to be pursued in order to increase the influence of the economist in modern political life. The present address is in some sense a continuation of that which was delivered a year ago. It is an endeavor to expand more fully the argument on those points where the members of the Association felt themselves most doubtful. In its preparation I have been actuated throughout by the desire to give the fullest opportunity for the discussion of difficult questions; and I believe that its chief value will lie in the stimulus which it gives for such discussion.

It has been well said by more than one of the mem-

bers of the American Economic Association that modern political economy contains two distinct parts—often inextricably intermingled in fact, yet always separate in principle—a theory of distribution and a theory of prosperity. The theory of distribution shows how the public wealth is divided among the different members of the community. It shows what are the effects of a system of laws or a group of commercial conditions on the relative well-being of the different classes concerned. It tries to predict how changes in these laws will increase the material comfort of some individuals and diminish that of others. The theory of prosperity, on the other hand, is concerned primarily with the good or evil of the nation as a whole. It deals with aggregate results rather than with individual ones, and concerns itself with the separate parts only as they must be studied in order to understand that aggregate effect.

The distinction between these two sets of theories is not quite the same as that between static and dynamic economics; for a considerable part of the theory of distribution deals with dynamic problems—with effects which are essentially the result of industrial progress rather than of static adjustment. It much more nearly coincides with the old antithesis between deductive and historical schools. It may perhaps fairly be said to be a precise statement of a distinction for which the earlier members of the historical school were feeling, but which they failed to grasp or formulate in precise fashion—a failure which reacted seriously upon the influence of this school in matters of economic controversy. Be this as it may, the distinction is a real and permanent one. Men may agree absolutely in their theories of distribution and disagree *toto coelo* in their theories of prosperity. Marx, in his theory of distribution, followed

Ricardo implicitly; in his theory of prosperity he differed from him at every point. It was just because he accepted so thoroughly one part of the Ricardian economics that he was able to dissent so consistently from the other, with a directness of opposition born of mutual understanding. It was because each assumed so fully the existence of free competition, and carried out that assumption so completely to certain of its logical consequences, that this same power became a demigod to the one and a demon to the other. In the words of the poet,

“Both read the same books, day and night,  
But thou readest black where I read white.”

As far as a man's political economy takes the form of a theory of distribution, it is not sure to be very closely connected with his ethical principles, or even with his political ones. In framing such a theory he is occupied with tracing consequences from observed facts. His political antecedents or his ethical prepossessions may lead him to observe some facts more closely than others, or to examine some parts of his chain of reasoning more critically than other parts. But these variations, as far as they exist, are errors, even from the man's own standpoint,—errors which he is interested in correcting as soon as they can be brought clearly home to him. He can say, in the words of Dunoyer, “*Je n'impose rien, je ne propose même rien : j'expose*”—I am neither impounder nor even propounder, but expounder. Nor do his theories of distribution modify his ethics much more than his ethics modify his theories of distribution; except, perhaps, so far as the habitual assumption of a set of facts and laws leads to the habitual assumption of the rightness of those laws, morally as well as intellectually.

On the other hand, a man's theory of prosperity is closely interwoven with his theories of ethics and of politics. Moral and political standards are a determining element in our judgment as to whether a nation's aggregate condition is good or bad. Observation as to the effect of different industrial systems on the stability or destruction of a nation reacts, in turn, upon our moral and political judgments. It is at this point that the interaction between economics and politics, whether by way of mutual aid or mutual criticism, is most constant. Only occasionally and incidentally do our theories of distribution lead us to intervene in political affairs by showing that certain lines of legislation produce different results from those which are contemplated. Daily and hourly does our theory of prosperity lead us to such intervention, when we believe that the aims of a certain group of moralists or politicians are destructive to the well-being of the nation as a whole.

At this point, where the possibility of influence is greatest, the difficulty which meets the economist who strives to maintain a dispassionate and critical attitude is also keenest. In his theory of distribution he can readily remain a passive observer of facts. He can measure and weigh the results of competition, as he can measure and weigh the results of gravitation or of biological selection; and can guard himself against error in fact or deduction by the same methods which are used by the physicist or the biologist for the same purpose. But when he comes to measure the aggregate merit of the total result, he has a different task and a far harder one.

I said a year ago, and I still believe, that even in this task the scientific knowledge possessed by the economist enables him to come nearer to its fulfillment than can



his fellow members of the community ; that in this field of exceptional doubt he should undertake to realize the very highest ideals as a scientific man who stands above the clouds of prejudice, and therefore sees farther than those about him ; that it is his high mission to be the representative and the champion of the permanent interests of the whole community, in the face of conflicting claims from representatives of temporary or partial ones.

This view of the mission and the duties of the political economist has been challenged on three grounds : as bad psychology, bad politics, and bad ethics. We are told, in the first place, that as a matter of practical psychology, no man can make his judgment as to national well-being independent of his social antecedents and his ethical training. If he has grown up among soldiers, he will have one set of standards ; if he has grown up among business men, he will have a second ; if he has grown up among literary men, he will have a third ; if he has grown up among laborers, he will have a fourth. Strive as he may to disassociate himself from the effects of education and environment, he can at best be but partially successful. His political vision suffers not only from nearsightedness, but from astigmatism. He may correct the former ; no power on earth can enable him to correct the latter, or even to gain an objective estimate of its effects. Robert Malthus was a disinterested man, and so was Henry George ; yet in neither case was such disinterestedness sufficient to protect them from obliquities of moral vision which led to diametrically opposite conclusions as to the conditions of public prosperity. A man may have the intention to be impartial, and may be perfectly candid in the belief that he has carried out this intention ; but that only makes



matters worse, because this delusion prevents him from recognizing the need of applying outside correctives to his judgment, and often leads him to impugn the fairness of anybody else who suggests such correctives. Why not, under these circumstances, admit freely the difficulty under which we labor in making objective judgments? Why not recognize from the first that each of us represents a locality or a class, and that the moral judgment of each observer is sure to be affected and to some degree distorted by his own personal prepossessions? Such a course, frankly adopted, its advocates claim, will keep the bad men from hypocrisy, the good men from self-deception, and the large number of men who are neither very good nor very bad from that mixture of hypocrisy and self-deception which contrives to combine all the evils of them both.

We are told, in the second place, as a wholly independent line of argument, that an attempt on the part of the economist to represent the total interest of the public, even if in a few cases of eminent mental and moral endowment, like John Stuart Mill, it proved approximately possible, would not be good politics. The assumption by an economist that he represents the total interest of the community rather than the interest of some one part or class in that community, exposes him to the suspicion of being either a pharisee or a hypocrite—either a man who over-estimates his own righteousness, or one who pretends to a righteousness which he does not possess. If either of these titles is a just one, it interferes with a man's success as a political reformer. If it is even suspected to be just, it will prove a heavy weight around his neck. Even if a man believes himself to be wholly free from either hypocrisy or pharisaism, it is a wise measure for him to keep out of the

company of hypocrites and pharisees. He will be a more efficient reformer if he claims a little less for his mission and can get those lesser claims recognized, than if he claims everything and gets no recognition at all.

We are further told that whether he be considered a hypocrite or not, he will be entitled a visionary, and justly so. The general public whose interests he represents is not a working political force. Its interests are so vague and remote that there is no means of getting them recognized in the concrete work of legislation and of government. You must appeal to localities and to classes. Localities have their representatives, classes have their organs. Each locality and each class has its public sentiment, which in one way or another is a living power in politics. This existence of a coherent public opinion and of a definite interest is a necessary condition for the social reformer, who would be more than a pure theorist. The one is his material, the other is his tool. No man, however great, can hope to accomplish his results with neither tools nor materials ready to his hand. Even if you believe yourself wholly disinterested you must appeal to classes and secure the partial good which is attainable, rather than aim at the greater good which from the outset you are fated to miss.

They tell us further that this view of the matter represents not only practical politics but practical ethics. Life in a modern free community is an interaction and interplay between the several members of that community. Each individual is working for ends of his own, distinct from those of other individuals. Each class has standards and ideals of its own, differing from those of other classes. Civil liberty is but a recognition of these differences—permission to the various members of the state to pursue their own several ends under the pro-

tection of a common law. According to this view, the man who would sink the interest of a class in a supposed general public interest, is but depriving that class of its own natural safeguard in the struggle for existence. If it works for itself it gets what it can—sometimes more than it ought, sometimes less than it ought ; but in a reasonably well-ordered civil society it takes its chances with the others. If a single group, in its zeal for the general good, omits to pursue its own group interest, it causes a want of balance between the parts, upsets the conditions of the game, and contributes rather to its own annihilation than to the predominance of those conceptions with which it has identified itself. Let us have fair play ; let us have a fair chance for conflicting views to struggle one with another, as a condition of progress for the whole society. This is the cry among no small number of those who think they have studied the conditions of modern progress most carefully.

Widespread and plausible as are some of these views, I desire to take fundamental issue with those who support them.

The system of political ethics just outlined is an outgrowth of our experience with two important institutions, — competition and representative government. Competition has led people to see how frequently the self-interest of the individual, as given free play, conduces to the general advance of the public. Representative government has shown how a full expression of opinion by those who speak for the several parts or classes in the community can be made to contribute to an advance which inures to the advantage of all parts and all classes together. Yet in the face of these facts, I believe that the theory of struggle and compromise as a normal means of progress needs restatement ; and that the man

who looks below the surface in the study of these two institutions, will be brought to conclusions directly opposite from those which prevail in so much of the current thought of the world to-day.

Does the theory of competition give ground for the view that a struggle between different parts for their class interests, works out in an economic harmony? Not at all. It shows, on the contrary, that struggles *within* each class, antagonistic for the moment to the apparent interests of that class, so conduce to the interests of many other parts of the body politic as to work out a generally beneficent result. No economist of any reputation would hold for a moment that the economic struggles of different men for themselves, would furnish a reasonable basis of adjustment, or compromise, with those in different positions. What the champion of competition holds, is rather that the struggles of each man for himself prevent others, who are in a similar position, from taking undue advantage over their fellow men. It is not a conflict between classes, but a conflict within classes, which he seeks to perpetuate; and he would perpetuate it because he can prove, or thinks that he can prove, that it conduces to a common interest more wide and more lasting than those which the individual classes, if organized into trusts or trades unions, would seek to pursue.

It is popularly said that competition is only the form which the struggle for existence takes in modern civilized society. This is at once true and false—true in form, false in the suggestions to which it gives rise. The fact is, that modern civilized communities have so regulated the struggles for existence, that they tend, on the whole, to the benefit of third parties, rather than to their detriment. Two cats struggle to eat the same

bird ; two bosses compete to employ the same workman. From the standpoint of the bosses, the transaction bears some analogy to the case of the cats. From the standpoint of the workman, the transaction bears no analogy whatever to the case of the bird. The more cats there are, the worse for the bird, as well as for the cats ; the more bosses there are, the worse for the bosses, but the better for the workman. When Adam Smith showed the efficiency of competition as a regulator of price and an increase of useful production, he furnished a powerful defence for the existing social order. He cannot, however, for that reason, be fairly charged with having been an advocate of the interests of the property owner. The weight and force of his reasoning lay in the fact that he showed the beneficent effects of such competition upon the community as a whole, rather than on persons most immediately interested. He may have exaggerated those good effects and underrated the evils by which they were accompanied. I shall not now try to discuss that point. But his permanent and decisive influence as a social reformer lay not in an advocacy of the views of any class, but in his advocacy of a means of correcting the formation of class lines. The success of competition, so far from warranting us in the adoption of a system of political morality and a theory of political progress, based on advocacy of class interests. proves rather the advantage and even the necessity of subordinating those interests to a wider common good.

With the institution of representative government the case is somewhat different. Here we have an organization of localities and of classes, and a recognition of such classes in the actual work of government. It would, therefore, seem as though the success of this system were a powerful argument on the side of that theory



of politics and of ethics which regards the good of the whole community as best to be reached by a compromise between the aims of different sections of the community. But a profounder study of constitutional history leads to an opposite conclusion. It shows that parliaments and congresses, in the really great periods of their history, have been valuable, not as a field of compromise between local interests, but of information as to general ones; not for the consummation of private bargains, but for the creation of public spirit.

Down to the end of the last century, the English Parliament, as its name implied, was essentially a place for discussion. Representatives from different localities met together at Westminster to interchange views as to the state of the nation. Each member reported to the others the feelings and wants of his locality; each received from his fellow members enlightened views as to the affairs of the realm as a whole, which he was able to report at home and make the basis of practical action in his section of the community. The essential function of the early parliaments was the creation of a united public sentiment. They roused the interest of the English people outside of the sphere of their petty local exigencies, and enabled them, by common action, to resist the extensions of the royal prerogative to which, in the absence of such common action, they must separately have fallen victims. It is true that the Houses of Parliament had large functions in addition to this, but they all group themselves round this central work. Even the right of the Commons to originate measures of taxation, so sedulously attacked by the kings, and so jealously guarded by parliaments, had its chief importance, not as a means of avoiding the imposition of burdens upon the people, but as a means of compelling the monarch

to call representatives of different parts of the people together for the authoritative presentation of popular opinion. At the close of the last century, when other countries adopted institutions modeled on the English Parliament, it was intended that they should preserve this same function as debating bodies; and the most glorious pages in the history of the United States Congress, are those in which public opinion was formed and public spirit roused by speeches like those of Webster and of Clay. Just as in the sphere of commerce, competition enables members of the different parts of the business community to get something wider than a class view point, and compels them to work to a common end, so in the sphere of politics did representative government enable and compel members of the different geographical sections to get something wider than the local view point, and to see what was the general sentiment of the nation of which they formed a part.

In the course of the present century our representative assemblies have ceased to be places for debate. The extension of the telegraph and the postal service has given the different parts of the community means of information more rapid, although in some respects perhaps less trustworthy, than that which was furnished by their Congressional representatives in the olden time. The press has taken the place of the legislature as a forum for the formation of public sentiment. Parliaments and congresses have become bodies for the making of laws rather than for the making of opinions. That this change has been accompanied by a loss in salutary influence of legislative bodies is, I think, unquestionable. No longer do the members strive to impress their several convictions on the whole body of which they form a part; they strive rather to form a



compromise in which the interests of the part which they represent shall have adequate recognition. This substitution of compromise for conviction as the ideal of legislative activity is perhaps the greatest and most pervasive evil under which our political machinery suffers. It shows its effect in the demoralizing principle that the representative should be guided in his utterances and his votes by the opinions of his constituents, rather than by his own—a principle which, in spite of all protests, has come to be generally accepted in practical politics. It deprives the member of the legislature of the educational influence incident to his position. It makes him an agent not only of his district, but of his party within his district. It manifests its results in appropriation bills, where the members who stand up for the general interest of the treasury are increasingly rare, and those who make claims for the expenditure of money on behalf of their localities—and often on behalf of private interests within their localities—become constantly louder. It shows itself even in general legislation, where the character of modern statutes as a patchwork of private demands has become only too notorious.

All this has gone so far as to produce a change in the public estimate of parliamentary bodies. The glorification or idealization of the legislature, so common in generations immediately gone by, is rapidly passing away. In matters of municipal government we are lessening the application of the old representative system—giving more power to the mayor and those persons appointed by the mayor, and less to the representatives of the several districts; because, with the amount of business that is done by the ordinary municipality, we cannot afford to let the general interests of the whole be

plundered in behalf of the several parts. The same tendency shows itself in connection with state legislatures, whose sessions are now being made less frequent, and whose sphere of action when they do meet is being narrowed by constitutions and other instruments providing for a reference of all more important laws to the people direct. It is not necessary for the purpose of this argument to say whether this change be an improvement or not; it is at any rate a significant sign of the trend of the times. The abandonment of the duty of debate as to the common interest and the substitution of the work of negotiation as to the private and partisan interests within the several districts, have often converted the representative assembly from a source of public safety to one of public danger.

The causes which have prevented competition in business and representative government in politics from fully safeguarding the interests of the community in the days just gone by are likely to be accentuated in the near future.

Improvements in machinery and in business organization during recent years have developed to such an extent that competition, in the old sense, is in many lines a thing of the past. It can no longer be utilized without loss of public as well as private economy. We cannot have parallel railroads or competing water works without a loss, either from increased expense of plant or diminished convenience in service. We cannot, in a great many lines of manufacture, have competition as we had it twenty-five years ago, without disastrous fluctuations in price and the danger of commercial crises due to irregular investments of capital. All these facts are so familiar at the present day that it is useless to enlarge upon them. Business has become a trust, in

a sense far different from that which the accidental application of this word has carried with it,—a thing involving a delegation of power by the public to the hands of a few men, which they are able, if they please, to misuse to the detriment of others without being immediately overtaken by any legal or commercial penalty. That they will themselves suffer in the long run from such misuse of powers entrusted, is very probably true ; but the reaction upon them is so indirect that we cannot rely upon it as a protection to commercial society in the way that we could rely on everyday competition in the smaller and more individualized business of fifty years ago. The correctives to the abuse of individual selfishness in the commercial world today are so much less immediate and automatic than they once were that very few persons now preach unlimited competition as a means of promoting the general good. So marked, indeed, is this reaction that there is danger of our having too little confidence in individual initiative in the immediate future, and of regulating these trusts by exercise of public authority, which may prove in the long run less wise than private enterprise itself.

A similar change is taking place in matters political as well as industrial. Not only are our municipalities giving examples of combined action in the way of public works undreamed of a century ago, but our nations as a whole are undertaking yet larger combinations in the shape of colonial empires. What will be the ultimate result of this last change of national character it is far too early to predict ; but this is certain : that it will necessarily be accompanied by a recognition of the fact that public office is a public trust more fully than it has been recognized in the past. A federation of states of approximately equal strength may govern one another

on a principle of separate pursuits of selfish interests; and although there will be some aggregate loss through the preference of local interests to general ones, there is likely to be at least a relative fairness when each member of the federation is strong enough to secure its own share of the plunder and to protect itself from undue imposition. But when we come to administer the affairs of a weaker nation to which we do not and cannot give political autonomy, the evils of the old system become so obvious and the need of ideals in politics becomes so exacting that even those who in their past public life have scoffed at the conception of a higher law than their own selfishness, are, under the new conditions, compelled by very shame to appeal to such a higher law. The more completely our undertakings, whether private or public, industrial or political, take the character of trusts, the more impossible does it become for those who are placed in authority to represent personal or class interests without gross violation of what we, in our everyday life, recognize as fundamental dictates of sympathy or of justice.

If it were true that each man's mental horizon were bounded by his class interests; if the man who claimed to look beyond them were sure to be regarded as a hypocrite and were likely to be abused as self-deluded; if we were constitutionally inaccessible to any political motives higher than those of rational egoism; this would simply mean that we were fundamentally unfit for the task that is before us. It would mean that the trusts which were placed in the hands of our citizens by the new conditions of business and of politics, were of a kind which we could not fulfil. It would indicate that the largeness of our problems would ruin us morally and politically, as Rome was ruined by her imperial

problems two thousand years ago. But I have faith to believe that this is not the fate marked out for us to-day. I believe that the American people and the modern civilized world in general will solve these problems, as they have solved other problems which have come up in the successive phases of their history; that we shall meet the new collective needs of industry and government with a true collectivism of spirit and purpose. Not with that superficial collectivism or socialism which, like the individualism that it strives to supersede, often makes too much of mere political machinery, and believes that men are to be saved by their institutions rather than their characters; but with a public spirit which demands, as a part of the national ethics, that men shall shape their course on the basis of conviction rather than of compromise, and that public discussion shall look toward a common understanding rather than a bargain. Because the political and commercial methods of the past have led to compromise rather than conviction, or because the successful man of affairs must be ready to compromise where he fails to convince, let us not say that all politics and all commerce is but a tissue of compromises, and that a political or commercial science which pretends to be something broader and better than this, is an illusion. Let us as economists take the opportunity that lies before us, in the face of new conditions for whose treatment the old methods are proving themselves inadequate. Let us employ our understanding with regard to public needs as a means of evoking public spirit. Let us use whatever special knowledge we have with all the breadth of purpose which it is in our power to attain, and make ourselves, as becomes men of science, representatives of nothing less than the whole truth.



## DISCUSSION OF THE PRESIDENT'S ADDRESS.

LED BY JOHN R. COMMONS, NEW YORK, BUREAU OF ECONOMIC RESEARCH, PROFESSOR E. R. A. SELIGMAN OF COLUMBIA UNIVERSITY, AND PROFESSOR L. M. KEASBEY OF BRYN MAWR COLLEGE.

MR. COMMONS: The reason given by President Hadley why the economist should exert more influence in politics is that he represents the nation as a whole, and in the conflict of class interests it is important for social prosperity that there be one class of leaders who will keep in view the permanent welfare of the aggregate. The economist should not descend to be the spokesman of a class, like the politician, but he should retain his position as spokesman of all.

Whatever meaning may be given in practice to this statement, I have no doubt that all economists of standing have guided themselves by a sincere desire to promote the best permanent welfare of society. They would certainly be unworthy the name of *political* economists and much more unworthy a hearing from the public if they were not animated by such a desire. And it may turn out, that, by a sufficient refinement of the definition of "economist" and "class", we may reach the point, where there will be no difference between our views. But as it seems to me at present there is a practical difference which will appear as I proceed.

The question as introduced by President Hadley last year, and as now repeated, brings up the practical question as to the method by which the economist can acquire a positive influence on legislators, judges, and executives in the formation and execution of laws. In his former paper<sup>1</sup> he made the distinction between economists who

<sup>1</sup> The Relation between Economics and Politics. *Economic Studies*, Vol. IV, No. 1., Feb., 1899.



devote themselves to social theory and the theory of utility and those who devote themselves to the practical questions of current politics. Economists in our day had lost their influence in politics because they had turned from practical questions to theoretical questions. I take it that we are discussing the same question now. The question is not what should be the position of the speculative philosopher but of the practical economist. It is a question of method.

Taking this position it seems to me quite plain that to have influence he must have the ear either of those who control legislation or of those who are striving to get control. To do this his doctrines, and especially their practical application, must be in harmony with the interests of one side or the other. Neither side will consult him on the ground of his claim to represent the nation as a whole. They consult him because he is the one man who shows to the nation as a whole that the interests of that class are for the permanent interests of the whole.

1. *Class Motives*.—It will doubtless be agreed that if the economist is to have influence he must strike some dominant motive in the minds of those who listen to him, or he must educate such a motive. There are two motives which pertain to this question—they may be called the motive of *patriotism* or public spirit, and the motive *class-interest*. These I take it, are both different from *self-interest*. I should line up these motives along with those distinctions to which President Hadley has called our attention. I should say the motive of patriotism is the motive to promote "the permanent interests of the community", *i. e.*, the motive corresponding to the "theory of prosperity". The motive of self-interest is the motive dominant in each of the cats

which struggle for one bird, each of the bosses who compete for one workman. The motive of class interest is mid-way. It is more than self-interest, because it means that the two bosses or the two cats must combine their forces, must for the time cease their individual struggle, and must join together for common action against another class. Class interest takes a man partly out of himself and gives him the spirit of sympathy and self-sacrifice for the other members of his class against whom he may hitherto have been fighting. Patriotism takes him still further from self-interest—it leads classes and parties to forget class struggles and to join together for common action against a national foe. Foreign war is the extreme case of the patriotic motive. It is found, however, at all times but is not so spectacular.

All these motives exist in different proportions in different individuals and in different proportions in the same individual at different times. Which are the most powerful? That depends on circumstances. When there is no national or class struggle at its crisis, then individuals settle back upon their self-interest. If, however, those who have common interests find themselves imposed upon by another class with common interests, then their class interest becomes a more powerful motive than self-interest. As a matter of fact we find that economists have had their greatest influence at these critical points of class struggle, when they have helped to shape the legislation of a class just acquiring new power. (Classical economists 1815-45 in England. Protectionist economists in United States 1840-1900).

In a free country the patriotic motive is most powerful of all, and dominates all others at periods of national crises. The reason is because in a free country all

classes have an equal share in government and they feel that the nation is the guardian of all their other interests. If there is class domination—if one class oppresses others, and the others have given up hope of getting justice and a share in the government, then class interest or self-interest remains the dominant motive and they will sullenly see their country defeated by foreigners—(compare United States with Spain, Great Britain with India.)

Consequently only in those countries where the class struggle is recognized as such and where the government has been organized in such a way as to give hope of fair play and justice to all the different class interests, is it possible to have this motive of patriotism which looks out for the general welfare. Failure to recognize the class struggle and to make a place for it means despotism of one class over the others. It is to the interest of the dominant class to refuse to recognize this struggle, and the economist who refuses to recognize it is playing into their hands. He is preparing the way for their despotic rule, and that means the crushing out of the spirit of patriotism in the excluded classes. If the economist truly represents society as a whole he should strive to give the excluded classes a larger and more just legal share in government and industry. In that way he would cultivate the motive of patriotism which is the motive to which, as the supposed representative of the whole, he must appeal.

2. *Class Representation.*—President Hadley has with deep insight connected in this discussion the two institutions of representative government and competition, both of which he asserts have broken down or are in the process of disintegration. First, as to representation. I should hold that the break-down of the repre-

sentative system proceeds from exactly the opposite cause from the one he mentions. It has broken down not because it represents classes, but because it has ceased to represent classes. At the time of its greatest glory, of which he speaks so highly, representative government was the representation of an exclusive class, the corporations of merchants and manufacturers and the land owners. The wage earners, numbering three-fourths to four-fifths of the present voters were excluded, also Catholics, Jews, unbelievers. Such a parliament could indeed come together to confer, compare notes, educate the public, and take united action. There are, it seems to me, two fallacies of historical interpretation in President Hadley's account of Parliament and Congress. The first is in seeming to hold that the King was above the party or class system, and the second in holding that representation of localities is identical with representation of classes.

1. He holds that the work of the early parliaments consisted in the creation of a "united public sentiment of the English people," and in rousing them to "resist the extensions of the royal prerogative to which, in the absence of such common action they must separately have fallen victims." I agree with this, but I would point out that what Parliament really did was to arouse the middle class and the excluded classes generally to unite against the dominant class, and that dominant class was simply the party of prerogative, or the court party, with the King as its boss. The King was not some *deus ex machina*, but he was one party to the class struggle. He shared his prerogative with his courtiers and defenders, in the form of monopolies, benefices, offices, privileges, tax exemptions and the like. The excluded parties and classes demanded a share of these

privileges, a voice in the government, and they succeeded in the Bill of Rights, which in 1688 gave parliament a veto on the king, *i. e.*, it gave the aristocracy and the corporations of the towns an equal voice with the king in framing laws. It meant the forcible admission of a subordinate class or party into sovereignty through their chosen representatives, and this is what is meant when we say that England was transformed from an absolute monarchy, or a despotism, to a constitutional monarchy. A constitutional government is one that recognizes the existence of antagonistic classes and opens up its frame-work to the equal influence of the two or three classes in the form of the mutual veto—the King with a veto on Parliament and Parliament with a veto on the King.

2. This brings me to what I consider the second historical fallacy, *i. e.*, the assumed identity of representation of localities and representation of classes. When the representative system originated it was primarily a representation of organized classes and only secondarily of localities. 'The merchants' and manufacturers' guilds and corporations of the towns elected their representatives in exactly the same way as a private corporation would now elect its president or attorney. 'They sent their leading men to parliament, and if they did not have a member competent they chose an outsider from any part of the kingdom, just as they might choose a lawyer to plead their cause. Indeed the early parliaments were strictly national conventions of merchants and manufacturers which sent a committee occasionally to the King with petitions, just as similar associations now petition congress. They finally joined with the similar conventions of smaller land owners and the two together



forced permanent recognition with a veto on the king, in the form of the House of Commons.

It happened that this representation of organized classes was also a representation of localities. The coincidence was an accident. It was because the suffrage was limited to a single class in each locality. Only the members of the corporations in the towns and the land owners in the county could vote. Since that time universal suffrage has been adopted on the ground that the wage earner should be represented. But the result has been simply to throw several antagonistic classes into the same constituency, and require them to elect one man by a majority vote who shall represent them all. This was easy enough when but one class voted by itself. It could then elect its own leading representative man. But to throw antagonistic classes into the same pen and require them to elect one man, who should represent all, compels them to elect not a man who represents a class but a *compromise* candidate who represents none. The really leading class representatives have enemies in other classes and cannot get a majority. The compromise candidate has no bitter enemies and he has no enthusiastic friends. He does not stand for principles or convictions. He is simply the tool of the boss. The boss is the man who is shrewd in manipulating these class antagonisms and in selecting these compromise candidates, who can get a majority out of conflicting interests. A system of this kind does not represent classes. It represents localities and irresponsible bosses. A truly representative assembly, framed on the basis of the early parliaments which President Hadley approves, would be one to which the different organized classes elected their own representatives as the older guilds elected their members of parliament. Let the labor unions, irrespective of



locality, come together and elect their members of Congress just as they elect the presidents and secretaries of their unions. They would then elect to Congress such men as Gompers, Sargent, Arthur, Debs and the like. These would be the true representatives of the wage earning class. Let the bankers elect their representatives by themselves. They would elect men like Gage, J. Pierpont Morgan. Let the trusts elect theirs. They would elect Rockefeller, Carnegie, Havemeyer, Flint, or rather they would elect their great attorneys like Dill, Burke Cochran, Joseph H. Choate. The railroads would elect Depew, the express companies would elect Platt. The Farmers' Grange would send its president, Aaron Jones, the Farmers' Alliance would send its president, Gardner, the Anti-trust League would send its president, Lockwood, and so on. In such a Congress these various interests might also send economists, men like Gunton, Hadley, Taussig, on one side, and men like Bemis, Ely, Henry George on the other.

Such an assembly I should call representative in the original historical sense of the word. It would not be exactly suited to modern conditions because the suffrage has been given to many classes which are not yet organized. But it illustrates the principle of true representation. There would be no compromise representatives. Each class would be represented by its ablest and authenticated spokesmen. There would be no opportunity for a boss behind the scenes, who could himself not get elected, yet who would be able to name the spineless trimmers who now pretend to represent the people.

Such an assembly would throw a very different light upon the question of compromise. As long as class antagonisms really exist they will assert themselves, and

the only alternative is civil war and class domination or mutual concession. But it is all the difference in the world as to who are the men who make the concessions. If they are the real leaders of the different classes, then we may look for broad minded, patriotic compromises. For the true leaders of a class must have two leading qualities ; they must have tenacity of purpose, but they must also understand the claims of the opposing class, *i. e.*, they must be broad minded and patriotic enough to see that civil war must be avoided, that other classes have rights, and that a point gained now, is a new vantage ground for another point in the future. These are the only kind of men that can permanently lead a class to victories. Labor unions have just such men as their leaders, and so do capitalists, and they are making these compromises every day in industry. What is needed is a representative assembly which will bring them together with the leaders of all other classes, so that they can make similar compromises in politics. But on the other hand President Hadley is right in criticising the present log-rolling kind of compromises. These are not true compromises. They are made by men who represent nothing, who have no convictions, no principles, and are simply usurpers who have by their cunning gotten possession of our electoral machinery. Their so-called compromises are only secret dickers. The evil is mainly a mechanical one and requires a readjustment of governmental machinery, similar to that which was made in 1688 by the Bill of Rights, so that all classes will have their actually representative men in legislation. As long as an economist does not recognize the existence of classes he will fail to see the need of this readjustment of electoral machinery, which shall represent classes.

3. *Class competition*.—President Hadley has drawn a valid distinction between competition of classes and competition of individuals within a class. He has asserted that the kind of competition which economists would see perpetuated is that between individuals within a class, by means of which the other classes of society are benefitted. He says that modern civilized communities have so regulated the struggle for existence that third parties are benefitted. This is unquestionably true as far as it goes. But I would ask, what is meant by the word "community" which he uses? Is it "society as a whole" that has so regulated competition? Society has not done so. On the contrary, it seems to me that the competition of individuals within a class has been forced upon that class by the opposing classes in society. If a class were left to itself its members would come to an understanding. They would get rid of competition between themselves and would agree to exploit the other classes in common. Adam Smith says that capitalists are always in a tacit agreement to keep wages down to a minimum. The way in which competition works seems to be as follows. Members of the same class are in competition with each other. The weaker are crushed out. The number of competitors becomes smaller and smaller. Finally but one is left. The entire institution becomes a monopoly. The head man dominates his own class and dominates all other classes. This phenomenon has occurred in every social institution. Feudalism ended in the absolutism of the principal feudal proprietor and we call the institution an absolute monarchy. The church ended in the papacy. Political parties have ended in the concentration of power in the hands of one man, or of the "machine", and we call it "boss" politics.

Business corporations have ended in concentration in the hands of a small number of directors of a monopolized corporation, and we call it a "trust." The principle is universal. Now when this monopoly stage of an institution is reached, there are three possible alternatives. First, progress may stop. The leaders of the class may hand down their power to successors. In national government we call this "despotism." In politics we call it "bossism." In industry President Hadley would perhaps call it "trusteeism." But it is the same in all. It is rule by the monopolized head of a single class, who distributes among his courtiers, supporters, and henchmen, the prerogatives of his position, and in this way he attaches them to his interests.

Such a system of absolutism always finds its defenders. But they always defend it upon the ground that it is the best thing under the circumstances for the nation as a whole. Bossuet was the eloquent court preacher to Louis XIV. He believed in hereditary absolutism. He thought the selfish wills of antagonistic classes could be crushed for the common good only by the absolutism of superior force. But he was a noble and fearless man. He saw that the power to protect is the power to oppress. He preached often on the "duty of kings." He turned to Louis and said, "O, King, use your power easily, for it is given to you of God for the welfare of men. Exercise it with humility. Do not forget justice, for God, who gives you irresponsible power over others, holds you responsible to Him. The greater your power, the more severely will He judge you at the last day."

I can understand such an attitude of mind. I can understand how the modern economist who sees that our representative government has broken down and has

fallen into the hands of bosses; who sees that we are compelled to govern 10,000,000 Asiatics without their consent and without giving them a share in our government; who sees that the voters in our cities are better governed by Platt and Croker than by themselves; who sees also that our competitive system has broken down; that the managers of our great monopolies have become "trustees" in more than the "accidental application of this word", and that "they are able if they please to misuse this power to the detriment of others without being immediately overtaken by any legal or commercial penalty"; I can see how the modern economist who sees these new developments without seeing any democratic solution for them, should in a noble and fearless spirit become court preacher to the political bosses and the irresponsible trustees. He says to them, "Natural selection has preserved you as the survival of the fittest. It has given these Asiatics, these working men and farmers, into your keeping. Remember your position is one of trust. You are free from competitors. There is no legal penalty for abuse of power. You are not responsible to them. I do not know what God will do in the matter. But anyhow, be good to them. Show them sympathy and justice. If you do not I shall denounce you."

Now, in speaking thus I admit that I exaggerate the position of President Hadley, as he views it. But I see no other outcome of his position, and in a question of this kind we are all to be judged by the practical outcome of our teaching. I have no doubt that an economist who takes this position will accomplish great good for society as a whole. He will have an influence in politics. But notice that he will shut out from political influence all the economists who do not have the ear of the



bosses and the trusts. He is the defender of the institutions by which these men have gained power. As such he has their ear. But he makes a distinction between the good man and the bad man who possesses the power, between their good and bad use of their power. As such he is their needed critic. But other economists who do not endorse the necessity of absolutism or trusteeism, if they are to have political influence, must get it through those classes who resist these absolutist institutions. If they can show that there is another solution to the problem, if they can show that there is a safe and rational method by which these excluded classes can share in the control of these institutions and by which the prosperity of the whole will be at the same time promoted, then the other classes will take up their arguments and will use them as the social justification of their class struggle.

In doing this the other economists will also have an opportunity to emphasize the interests of the permanent welfare of society as paramount to class interest. But the best work of both sets of economists as preachers of social morality will be done when they preach to their own class. As long as their economic arguments are used in the main to justify one class against the others, the others will resent their moral exhortations as impertinent and hypocritical.

I said that there are two different methods by which the excluded classes can attack the privileged classes in their privileges. One is by breaking down the monopolies and exclusive privileges of the dominant class and forcing admission for the *individual members* of their own class. The other is by forcing admission as an *organized class* through their representatives into partnership with the monopolist and sharing with him by



means of a mutual veto the government of the monopolized institution.

The former was the method advocated by Adam Smith. Smith was the radical economist of his time. President Hadley says of Smith that "by showing the efficiency of competition as a regulation of prices and an increase of useful production, he furnished a powerful defense of the existing social order". This is doubtless a prophetic use of the term "existing". If Adam Smith defended the existing social order, it was existing *in posse* and not *in esse*. From beginning to end he attacked the ancient existing privileges of the dominant classes in English politics. These were two classes of what were really hereditary aristocracies. They were the corporations, or guilds, of merchants and manufacturers in the towns, and the landed aristocracy in the counties. The privileges and monopolies which he attacked were found in the laws which they had enacted for their own protection. These were the protective tariffs, bounties on exportation of corn, the statutes of apprenticeship, laws of settlement, laws against combinations of laborers and capitalists, the exclusive privileges of what he called "corporations, trades, crafts, and mysteries", and the majority rule of these corporations by which they tied the hands of the minority. In making this attack Adam Smith furnished the arguments by which the capitalist class were able to enlist the laborers and all the excluded classes in a successful attack on the existing dominant classes. The result was that the monopolies of the dominant classes were broken down by the attack of the excluded classes. Competition was henceforth forced upon the members of the dominant class, and, not only this, but the capitalist class secured admission to these privileged ranks on

equal terms of competition. Thus the resulting competition between individuals of one class for the benefit of society as a whole was itself the great aim and chief result of a class struggle. Had the subordinate class not been successful, then industry would have petrified in an hereditary caste system, as in India, and there would have been no prosperity of the whole.

The other method or democratizing an institution is to get admission as an organized class. This was done by the aristocracy and middle classes in the revolution of 1688 in the case of the national government, wherein parliament was given a veto on the King, and all laws had to be henceforth approved equally by the King, the Lords, and the Commons. This method is necessary where the monopoly cannot be abolished. Adam Smith was able to show how the exclusive privileges could be done away with altogether. It was not so with the institution of government, which had to remain a monopoly and could not go back to feudalism.

We are in a similar position to-day respecting trusts and political parties. If these two kinds of monopolies can be abolished, then there ought to be economists who will show how to do it. The monopoly in politics, or bossism, may possibly be abolished by direct legislation or by proportional representation. If it cannot be abolished then there will come laws like the Primary Reform laws recently enacted in several states, where the rank and file are legally admitted to a vote in the election of the boss. In the case of trusts, if they cannot be abolished, then the other remedy is to give the people a voice in electing the trustees. How this can be done, which method is suitable to different cases, are matters for economists to discover. Only those will attempt the discovery who see the need, *i. e.*, those who

on the whole feel that the welfare of society will be best promoted by uniting the excluded classes for an attack on the privileged classes.

That this points a radical difference between President Hadley's position and mine, and that our contention is not merely one of words, nor is it an obverse and reverse statement of the same position, is shown by the practical conclusions drawn. While he holds that there is but one form of government, namely government by the boss of an institution controlled by such public opinion as the leading thinkers and preachers can bring to bear, I hold that there is another possible form, namely, government by the different interests and classes which hitherto were subject to the boss. This also is controlled more or less by public opinion, but it is essentially different from the former. If we must wait for public opinion, led by economists and social moralists, to control the bosses in industry and politics, then we are only waiting for a harsh despotism to become a paternal despotism. But if we recognize the social classes which are struggling for a share in these despotisms, then we can look forward, not to a persistent absolutism, but to a democratic government of industry and politics, where the subordinate and excluded classes gain a *legal* control over their rulers and are not forced to content themselves with the vagueness of merely *moral* control by public opinion. In other words failure to recognize social classes means paternalism based on the survival of the strongest; while recognition of social classes means self-government based on legalized justice between classes.

In conclusion I believe that the economist in working through social classes is working through the greatest of social forces. Class struggles are a condition that make

for progress, and their absence indicates stagnation. At the same time the economist does not represent a social class in the way that the lawyer, the labor leader or the politician does. He does not depend upon the class for election. He chooses his own ground. He is a pioneer. He begins from the social standpoint, and works to the class standpoint. He sees that social classes are not permanent divisions in society. They are historical categories. They are temporary and shifting. They give way to new divisions. For this reason the economist may even create a class. At least he often unites different classes. This Adam Smith did. The later economists who followed Smith, like James Mill, Senior, Fawcett, were more closely allied to the capitalist class, because they attacked both the aristocracy and the laborers; and they were the economists who have had the strongest influence on politics, for they directly aided in abolishing the protective restrictions and poor laws of the aristocracy. But Smith had not distinguished clearly between capitalist and laborer. At his time their interests had much in common, and he was able to show this and to bring them together. But he did not represent the nation as a whole. He did not represent the aristocratic classes. He attacked them. It may be said that he believed they stood in the way of the nation as a whole, and must therefore be sacrificed for the good of all. If that be so, I cannot see how he can be said to have represented them. They believed that they also stood for the good of the nation, and they resented any claim on his part to speak for them. To the aristocrats actually in the struggle it appeared that they were to be sacrificed for the good of upstart capitalists and the destruction of England. It remained for the succeeding century to answer positively as to which class was right.

Adam Smith doubtless was honest, but so were the defenders of the existing order. In fact they had prestige and history back of them, while he had only his arguments. He was not bitter nor partisan; he was only philosophical. But for this very reason he was compelled to see that the economic institutions of his time were framed in the interest of the dominant classes, and that these classes were but a part of, and actually stood in the way of, the nation as a whole. As economists I believe we would stand on safer ground if, when our conclusions lead us to champion the cause of a class, or of a group of classes, or to expose another class, we should come squarely out and admit that it is so; not because the class interest is foremost in our minds, but because the class is the temporary means of bringing about the permanent welfare of all. We doubtless should always be guided by an honest striving for the welfare of all. We should never be blindly bigoted nor partisan nor committed irrevocably to a class position, with its bad as well as its good. We should be broad minded like Smith. But we should admit that we differ among ourselves, and that our fundamental differences coincide in general with class antagonisms in society. We are a part of the social situation. History alone will decide between us. Our present vision is limited. For this reason we ought to acknowledge that no one man is great enough and good enough to stand solely and at all times in practical politics for the nation as a whole, but that all men in a free republic are also moved by the same spirit of patriotism. We ought to acknowledge that the nation as a whole is represented by the accredited representatives of all classes; that no man can honestly represent a class in which he does not believe. It is out of the combined result of public-spirited men



contending for their own convictions and authorized to speak for others whose convictions are the same, and who are able to make concessions in the interest of all, that all of society is truly represented. Not the individual economist, but the *associated economists* represent the permanent interests of the nation as a whole.

Professor E. R. A. SELIGMAN—*Ladies and Gentlemen*: The time is so far advanced that I shall detain you only a very few minutes by bringing out some of the salient points of difference and what seem to me to have caused all that misconception between the two speakers who preceded me. The views of the last speaker have put such an entirely new light upon the whole controversy that it seems more important perhaps to call attention to what is in my opinion the fallacy underlying many of his own statements rather than to dwell so long as I had expected upon what seem to me some of the weaknesses of our own president's statements. Now in what I see the controversy can really resolve itself into this statement. Here is one speaker who tells us there is no such thing as class interests at work and that all political action and that all economic theory is really formed and guided by our own view of the general future of public interest itself. Here is another class of thinkers who assert that all political action and economic theory is simply the outgrowth of class interests and must always remain so. Now is it not possible that there may be an element of truth in both these statements? Is it not typical of all human advance itself that we have these two elements working away continually among us? On the one hand what we may call the selfish interest, on the other the class interest. Or if you analyze it further we may see that class inter-



est is really a subdivision of the larger selfish interest. Is it not true that every individual is moved not only by self-interest but also by class interest? In last resort, individuals, like classes, like nations, are guided by two different sets of motives—the one the selfish, the other the unselfish; and all social life consists in the result of the balancing of these two motives. Social and political life, on a larger scale, bear some analogy to married life on a smaller. In married life we deal with two individuals, each of whom has been accustomed to look after his or her own individual interest, and who, in the long run, continues to do so. But they find in this union a higher synthesis, a happiness which is based on the sacrifice of self, but which will in the end redound to the best interest of each. It is only in these considerations that we can find a common meeting ground for those philosophers who base their theory of morality on the doctrines of sympathy, and those who base it upon self-interest. It is because in the higher synthesis, self-interest is really transmuted into the common interest. Just as in public finance we speak of the private and the collective interest of the tax payer, so in ordinary economic life we speak of the individualistic and of the socialistic interests of the citizen. Translated into ordinary language we say that every one is guided by two forces—the purse and the conscience. It is often difficult to see in last analysis which is the more important, or which is at any given time the controlling factor. Consider, for instance, what is going on in international morality to-day. There is no doubt that every nation heretofore, as every individual, has been looking primarily after its own interests. And yet, what means this recent movement in the direction of peace? It means that we, as nations, are realizing that our own

self-interest will be benefitted in the long run by being merged in the common interest of humanity, and that, in the final result, there will be this union of self and of common interest. If we were to apply this idea to the problem in hand, much of the seeming opposition will have disappeared. It will be recognized that the world naturally moves forward only by a softening of prejudices and by the effecting of union between warring interests. In representative government we are trying to voice, not the single interests of the individual or those of the class, but the interests of the body politic as a whole, although we can frequently approach that result only through the avenue of self-interest. So far as we are gradually reaching that goal of harmony of interests, it seems to me that representative government is one of the chief forms of progress. It is indeed true that in the last few years we see less importance attached to representative government, partly for the reason that President Hadley mentioned, namely, the fact that the growth of public opinion has taken to a large extent the place of discussion in earlier representative bodies. But it is just this fact that makes for progress, and gives us the hope that, as time goes on, the real harmony of interests which is itself so largely the outgrowth of class struggles, will ultimately be synonymous with the best interests of every class. If democracy means anything at all, it does not mean simply that the third and fourth estates are coming to the front, but that the interests of all are gradually being voiced in this higher union of common advance and social progress.

While, therefore, in the case of political action, there is in reality substantial agreement where there seems to be diversity of opinion, the same cannot be said of the

other branch of the discussion — the attitude of the economist. We would all, I think, agree with our distinguished President in regarding his picture of the economist as the ideal. I should certainly take issue with Professor Commons that the economist can serve the public only through the class. I deprecate very much the acrimony imported into the discussion, and regret that he has seen fit to mention by name individuals as representatives of certain classes. On the contrary, I am sure that all economists will energetically maintain that so far as they know themselves, they are not representatives of any one class. The economist, if he is an honest man, tries to represent the common interest of society. Yet it may be questioned whether our President has not gone too far in the other direction. I listened in vain, although with a great deal of care, for a refutation of what he called the psychological argument of his antagonist. It is true that every individual who discusses social questions does so with a certain personal equation; and the President has advanced no argument to refute this statement. But this equation is not so much the personal equation of any one particular class as the personal equation of the whole body of society as differing from that of other times and places. It is not because Aristotle was a conscious defender of the propertied class in Greece that he upheld slavery. It was because Aristotle firmly believed that the best economic and social interests of that particular time were bound up with the existence of slavery, that no other economic or social system could have existed at that particular time which would have made so much for progress. Again, when we select the economist of the middle ages, or of modern times, it is not because he believes in any one particular class as destined to

succeed that he champions and supports a given policy, but because he firmly maintains that that particular economic system is the one which will be most advantageous to society at large. The statement of Professor Commons that the economist is the representative of a class would, if it were true, prove utterly fatal to the progress of economic science, and to the self-respect of any individual who is attempting to live for the good of humanity. The statesman may have to appeal to class interests in order to secure his practical ends; but the economist, if he has any conception of his real mission, will repudiate with scorn the imputation that he is endeavoring to subserve the special interests of any individual or of any social class.

Professor L. M. KEASBEY: The discussion has taken such a turn that I am not inclined at this point to contribute anything to it.

Professor E. W. BEMIS: From a somewhat extended discussion of this subject with Professor Commons a few days ago, I am convinced that his language is capable of being taken in a different light from that which I am sure he personally feels. It seems to me that the main point in issue is after all a question of what we understand by class interests. I think, for example, that both speakers virtually agreed that we should seek the welfare of most of society, that we should attempt to raise the moral tone of whatever social class or whatever interest will reach the greatest number. I think that they also virtually agreed that we must have conviction, positive action, on questions of the day if we wish to exert any influence upon them. If we have positive convictions, there will result from them positive interests.

The scientific spirit will not necessarily lead us to deny that we have such, but rather to frankly state that we have, in order to guard against being misunderstood, and in order that the personal equation may be made. I think further that they both agree that in so far as we do have positive convictions, that will necessarily mean the antagonism of some dominant and social interest. And to that extent we will either antagonize or favor that dominant social interest in the interest, as we believe, of society as a whole. Now Professor Commons would call that supporting a social class, but I don't think we should call it such a name, and to that extent at least I should disagree; but I don't think it should be called that, for it is done with a view to general society's welfare. So it seems to me that after all there is no such great disagreement as there seems, if we take it for granted that we must approach it from the standpoint of the public good.

Professor MAYO-SMITH said that he did not see how an economist could proclaim himself as the representative of class interests. Every economist like every statesman or politician must declare that he had at heart the interests of the whole community. He might advocate certain measures coming primarily to the benefit of a certain class as ways or means to the general end, but the end itself must be the welfare of the whole community. Take two eminent names—Mill and Lassalle. The former had been classed as a defender of the system of free competition, but at heart he was deeply sympathetic with the efforts of the laboring class to benefit its condition. Lassalle was the champion of the Fourth Estate, but in one of his most eloquent passages, he had portrayed the victory of the Fourth Estate in the com-



ing social revolution as of the highest ethical significance because it meant the triumph of the whole people.

Professor POWERS: I wish the last speaker had carried his argument a little farther. Is it not possible that we may defend the existing order not only without espousing the interests of the dominant class but with distinct regret that its benefits should accrue so exclusively to this class.

Take an illustration. The question of license is up for vote and I decide after much consideration to vote for it. Am I therefore a representative of saloon interests? I vote for what the saloon men want, but I neither consume their wares nor visit their places of business. None of them would have the effrontery to congratulate me on my accession to their ranks. I have voted for what seemed the less of two evils, but regretfully, and without sympathy for those who most conspicuously profit by my action.

My illustration does not express my attitude toward the capitalist class but it is at least a possible attitude. In my own experience there has been nothing to ally me in sympathy or interest with that class, and yet, as the result of a long evolution—exceedingly interesting to myself—I have come to an attitude if not of favor at least of kindly tolerance toward the existing order. Is it not a travesty on my position, on my sympathies and my convictions, to describe me as a “representative” of the capitalist class? I am sure from intimate personal acquaintance with some of those who have been referred to in this discussion as representatives of class interests that they do not so regard themselves, and I am convinced that they correctly estimate their own feelings and affiliations.



Is Professor Commons willing to accept the consequences of his own statements? Is he willing to seem to be actuated by class sympathies or retained by class interests, for such are the implications of the term representative. I confess, from what I had known of Professor Commons, I had conceived a different, and from my standpoint, a higher opinion of him.

PRESIDENT HADLEY: There are two fundamentally distinct methods of government—the legitimate and the illegitimate. Under governments of the former class, be they monarchic, aristocratic or democratic, the government exists by the common consent of the governed. It is, in other words, based on public opinion. Under governments of the latter class, whatever their external form, government rests on the power of the governing class, be it large or small. This is no new distinction. It is as old as Aristotle. The fundamental question for us to decide is which method of government we shall countenance. The complex forms of parliamentary procedure at the present day may obscure this antithesis; they do not alter the fact of its existence. If we are striving to advance the interests of a class we commit ourselves, as far as in us lies, to class government. If we attempt, on the other hand, to promote unbiased discussion in the public interest, we identify ourselves with the principle of government by public opinion. We may, and doubtless shall, make mistakes in attempting to attain this end, but we have set our faces in the right direction instead of in the wrong one. If we represent class interests we may achieve certain petty successes which we should otherwise miss altogether, but this very success creates a precedent of the wrong kind. If we aim higher and strive to be leaders of public opin-

ion, and make our success dependent on the formation of a public opinion independent of classes, we shall doubtless often fail, but our failure will be of a kind which forms a basis of permanent and lasting success, for the nation and for the cause of economic truth.

## SENIOR'S THEORY OF MONOPOLY.

BY PROFESSOR RICHARD T. ELY, LL.D.

We are beginning to recognize more adequately than heretofore the ability of Senior as an economist. When for the first time we examine Senior's economic writings critically, we are astonished to find the extent to which recent developments of economic theory may be traced back to germs in this early economist. The theory of value affords an illustration, inasmuch as Senior makes value depend primarily upon the limitation of utility. The general distinction which Senior makes and emphasizes between subjective and objective elements in economics, affords a further illustration. This comes out, for example, in Senior's discrimination between wages and the sacrifices for which wages are paid.<sup>1</sup>

Perhaps in nothing is Senior more remarkable than in his discussion of monopoly, for in this discussion he gives evidence of an unusually keen analytical mind. Writing in the thirties, when monopoly was, comparatively speaking, so insignificant, he yet saw the prevalence of monopoly in the industrial field more clearly than it has been discerned by writers of our own day, when monopoly has indefinitely greater significance than it had sixty years ago.

And yet, at the same time, in his discussion of monopoly as elsewhere, Senior fails to carry out and elaborate his ideas as fully as could be expected from so powerful a mind. Naturally, any inquiry into Senior's theory of monopoly will first give attention to Senior's idea of monopoly. To begin with, he distinguishes

<sup>1</sup> Political Economy, p. 129, where Senior notices that "it is the privilege of talent to work not only better, but more easily."

sharply between production under circumstances of equal competition and under circumstances of unequal competition, and then proceeds to explain what he means by monopoly and by monopolies, in the following words :

“ Now it is clear that the production in which no appropriated natural agent has concurred, is the only production which has been made under circumstances of perfectly equal competition. And how few are the commodities of which the production has in no stage been assisted by peculiar advantages of soil, or situation, or by extraordinary talent of body or mind, or by processes generally unknown, or protected by law from imitation. Where the assistance of these agents, to which we have given the general name of natural agents, has been obtained, the result is more valuable than the result of equal labor and abstinence unassisted by similar aids. A commodity thus produced is called the subject of a *monopoly*; and the person who has appropriated such a natural agent, a *monopolist* ? ”<sup>1</sup>

Having given this definition of monopoly, Senior proceeds to divide monopolies into four kinds. The first class is of those “ where the monopolist has not the exclusive power of producing, but only certain exclusive facilities as a producer, and can increase, with undiminished, or even increased facility, the amount of his produce.”<sup>2</sup>

Senior gives as an illustration of this kind of monopoly the production of yarn by Arkwright, who, by means of his patent machinery, was able to produce yarn far more cheaply than could any of his competitors. Senior says, indeed, that “ the cost to Ark-

<sup>1</sup> Political Economy, p. 103.

<sup>2</sup> *Ibid.*

wright was not one-fifth of what it would have been to his customers " had they undertaken to produce yarn for themselves. Arkwright, however, found it to his advantage, so we are told, not to produce a sufficient quantity to supply the entire market, but to produce a far less quantity, giving competitors opportunities to produce at a relative disadvantage while he himself pocketed enormous profits.

A second kind of monopolies, according to Senior, is that " which exists where price is checked neither by the hopes nor by the fears of the producer, where no competition is dreaded, and no increased supply can be effected." <sup>1</sup> He gives as an illustration the owner of the Constantia farm, who is able to produce a limited quantity of Constantia wine, a wine, however, which can be produced by no one else, and the supply of which can not be increased even by the owner without an impairment of its quality.

A third class of monopolies " comprises those cases in which the monopolist is the only producer, but, by the application of additional labor and abstinence, can indefinitely increase his production." <sup>2</sup> This is a simple case, illustration of which is afforded by copyrighted books.

" The fourth and last class of monopolies " says Senior, " exists where production must be assisted by natural agents, limited in number, and varying in power, and repaying with less and less relative assistance every increase in the amount of the labor and abstinence bestowed on them." <sup>3</sup> We have here to do with what Senior calls the " great monopoly of

<sup>1</sup> Political Economy, p. 104.

<sup>2</sup> *Ibid.*

<sup>3</sup> *Ibid.*

land." Elsewhere he speaks of these monopolies as "qualified monopolies". The wide prevalence of monopoly is brought out still more clearly by Senior in his discussion of the effects of cost of production on price, where he sums up what he has to say as follows :<sup>1</sup>

. . . . . "We have seen that production may take place under five different circumstances.

1. Absence of monopoly ; all persons being capable of producing with equal advantage.

2. A monopoly under which the monopolist has not the exclusive power of producing, but exclusive facilities as a producer, which may be employed indefinitely with equal or increasing advantage.

3. A monopoly under which the monopolist is the only producer, and cannot increase the amount of his produce.

4. A monopoly under which the monopolist is the only producer, and can increase indefinitely, with equal or increasing advantage, the amount of his produce.

5. A monopoly under which the monopolist is not the only producer, but has peculiar facilities which diminish and ultimately disappear as he increases the amount of his produce."

It is only one case out of the five in which we have an absence of monopoly. Senior repeatedly comes back to the fact that monopoly is found everywhere in the industrial field. He says, for example :<sup>2</sup> "It is difficult, however, to point out an article, however simple, that can be exposed to sale without the concurrence, direct or indirect, of many hundred, or, more frequently, of many thousand different producers ; almost every one of

<sup>1</sup> Political Economy, p. 111.

<sup>2</sup> *Ibid.*, p. 112.



whom will be found to have been aided by some monopolized agent.”<sup>1</sup> Two pages further on he expresses himself still more strongly, as follows:

“When we speak, therefore, of a class of commodities as produced under circumstances of equal competition, or as the result of labor and abstinence unassisted by any other appropriated agent, and consider their price as equal to the sum of the wages and profits that must be paid for their production, we do not mean to state that any such commodities exist, but that, if they did exist, such would be the laws by which their price would be regulated.”<sup>2</sup> Illustrations of this view entertained by Senior can be very easily multiplied.

It is apparent that Senior has grouped together different economic categories under the term “monopoly.” A little reflection, however, coupled with a careful reading of his discussion, reveals the fact that there is only one concept in which these various categories find unity, and that concept is “surplus value.” Senior’s discussion of monopoly has as a starting point cost of production. By cost of production he means “the sum of the labor and abstinence necessary to production.” We have, according to Senior, what we may call *value of remuneration*, when commodities and services are produced under circumstances of equal competition. In other words, labor and abstinence are remunerated, and no more than remunerated, when all producers have equal advantages. Under such circumstances, the price of commodities “represents the aggregate amount of the labor and abstinence necessary to continue their production.” It happens, however, as we see, that very seldom is production carried on under circumstances of equal

<sup>1</sup> Political Economy, p. 112.

<sup>2</sup> *Ibid.*, p. 114.

competition. Wherever producers enjoy unequal advantages, we have surplus value; and wherever we have surplus value, we have what Senior designates as "monopoly." Senior has another name for surplus value in the term rent, which, according to his nomenclature, covers all the gains accruing to monopoly. In other words, monopoly gives rise to surplus value, or to what Senior calls "rent", which is described by him in the following quotation: "But a considerable part of the produce of every country is the recompense of no sacrifice whatever; is received by those who neither labor nor put by, but merely hold out their hands to accept the offerings of the rest of the community." . . . . "if wages and profit are to be considered as the rewards of peculiar sacrifices, the former the remuneration for labor, and the latter for abstinence from immediate enjoyment, it is clear that under the term 'rent' must be included all that is obtained without any sacrifice; or, which is the same thing, beyond the remuneration for that sacrifice; all that nature or fortune bestows either without any exertion on the part of the recipient, or in addition to the average remuneration for the exercise of industry or the employment of capital."<sup>1</sup>

Senior extends the term rent or monopoly gains in a most interesting manner, suggesting again quite recent discussions. The Germans, for example, have been discussing for some time the "gains of conjuncture" (*Conjuncturgewinn*;) but this subject received considerable attention at the hands of Senior over sixty years ago. After having stated that extraordinary gains constituting a surplus over and above average wages may with propriety be termed "rent", he adds:

"And for the same reason we term *rent* what might,

<sup>1</sup> *Ibid.*, pp. 89 and 91-2.

with equal correctness, be termed *fortuitous profit*.<sup>1</sup> We mean the surplus advantages which are sometimes derived from the employment of capital after making full compensation for all the risk that has been encountered, and all the sacrifices which have been made, by the capitalist. Such are the *fortuitous*<sup>1</sup> profits of the holders of warlike stores on the breaking out of unexpected hostilities; or of the holders of black cloth on the sudden death of one of the Royal family. Such would be the additional revenue of an Anglesea miner, if, instead of copper, he should come on an equally fertile vein of silver. The silver would, without doubt, be obtained by means of labor and abstinence; but *they* would have been repaid by an equal amount of copper. The extra value of the silver would be the gift of nature, and therefore rent."<sup>2</sup>

As has just been suggested, Senior likewise extends the term rent to include "the extraordinary remuneration of the laborer, which is assisted by extraordinary talents."<sup>3</sup> Senior brings out very clearly in illustration the significance of rent in the remuneration of those whose present services yield them a large income. He takes the case of a lawyer or physician having an income of £4000 a year. Of this amount he regards forty pounds as ample payment for all the labor that either of them undergoes. Of the remainder he regards £3000 as rent and £960 as profits on "their respective capitals; capitals partly consisting of knowledge, and of moral and intellectual habits acquired by much previous expense and labor, and partly of connection and

<sup>1</sup> The italics are here those of the present writer.

<sup>2</sup> Political Economy, p. 129.

<sup>3</sup> *Ibid.*, p. 130.

reputation acquired during years of probation while their fees were inadequate to their support.”<sup>1</sup>

Senior also extends still further his concept of rent or monopoly gains in an interesting manner when he discusses the distinction which inheritance creates between profits and rent, transferring income enjoyed by an individual from the former category—namely, profits, to the latter—namely, rent. When I make improvements in land or build a dock, my return, so far as it is not wages, is profits; but when the income which I have enjoyed passes over to my heir, it is to be designated as rent. This income is something which he receives without previous toil; it is something over and above his earnings, and, accordingly, is to him unearned wealth. It is, therefore, rent. This is a novel extension of the idea of surplus value. Senior describes his idea in this particular in the following language:

“We may be asked, then, whether the improvements which form the greater part of the value of the soil of every well-cultivated district are all, and for ever, to be termed capital? Whether the payments received from his tenants by the present owner of a Lincolnshire estate, reclaimed by the Romans from the sea, are to be termed, not rent but profit on the capital which was expended fifteen centuries ago? The answer is that, for all useful purposes, the distinction of profit from rent ceases as soon as the capital, from which a given revenue arises, has become, whether by gift or by inheritance, the property of a person to whose abstinence and exertions it did not owe its creation. The revenue arising from a dock, or a wharf, or a canal, is profit in the hands of the *original constructor*. It is the reward of *his* abstinence in having employed capital for the purposes of production in-

<sup>1</sup> Political Economy, p. 134.

stead of for those of enjoyment. But in the hands of his heir it has all the attributes of rent. It is to him the gift of fortune, not the result of a sacrifice. It may be said, indeed, that such a revenue is the reward for the owner's abstinence in not selling the dock or the canal and spending its price in enjoyment. But the same remark applies to every species of transferable property. Every estate may be sold, and the purchase money wasted. If the last basis of classification were adopted, the greater part of what every Political Economist has termed rent must be called profit."<sup>1</sup>

Senior did not work out as he might have done the significance of his law of value in its relation to monopoly, making value depend, as he did, chiefly upon limitation of supply. Another thing which he did not work out, but which suggests itself very naturally, is the significance, in a discussion of monopoly, of the law of increasing returns in manufactures. Again and again, Senior emphasizes the law of increasing returns in manufactures, whether we have regard to manufactures as a whole or to the business of one single manufacture; and as the law of increasing returns, according to Senior, here operates without limit, it suggests itself to a modern student that we have a strong monopoly force in manufactures which must ultimately result in the establishment of monopoly, in a very strict sense of the term, in every line of manufacture.<sup>2</sup>

If it be found that monopoly exists everywhere, it is but natural to inquire what is the proportional amount of the income of society which accrues to monopoly. This is an inquiry which Senior has not overlooked, although even from his own point of view it cannot be

<sup>1</sup> Political Economy, p. 129.

<sup>2</sup> *Ibid.*, pp. 104-6.



said that he has been very successful in his discussion. Concerning the gains of monopoly or, in other words, rent, he expressed himself in one place as follows :

“ As rent arises from the agency not of man, but of nature, its amount does not depend on the will or the exertions of its recipient. The owner of the land, or of the natural agent, whatever it be, for the use of which persons are willing to pay rent, receives the sum which their mutual competition forces them to give. As it is all pure gain, he accepts the largest sum that is offered, however trifling its amount. Nor, on the other hand, does the amount of rent depend on the will or the exertions of those who pay it. Whatever be the value of the services of an appropriated natural agent, that value must be paid by the person who wishes to use them, as both parties to the bargain are aware that if it is not hired by one applicant it will be by another. The amount, therefore, is subject to no general rule ; it has neither a minimum nor a maximum. It depends on the degree in which nature has endowed certain instruments with peculiar productive powers, and the number of those instruments compared with the number and wealth of the persons able and willing to hire them. There is, probably, now land near New York selling for £1000 an acre, which a century ago could have been obtained for a dollar.”<sup>1</sup>

One thing which should be especially noticed in the foregoing quotation is the dependence of the amount of rent upon the resources of those who pay rent or upon what I have termed in my own formulation of the law of monopoly price, “ the general average of economic well-being.” Here again, however, Senior entirely failed to discover the significance of the suggestion which he threw out.

<sup>1</sup> Political Economy, p. 139.



Surely it suggests itself from all this that the amount of rent is very great, and one giving attention solely to Senior's discussion of monopoly would be inclined to say that according to Senior monopoly must absorb a goodly proportion of all wealth produced. When Senior comes to discuss profits, however, we find him turning sharply away from the conclusions naturally suggested by his discussion of monopoly. He states that comparatively few are dependent exclusively upon wages, probably not one-fourth of the community, and that the rent receivers, using that word in its largest sense, are still fewer; whereas, "the bulk of the national revenue is profit; and of that profit the portion which is mere interest on material capital probably does not amount to one-third. The rest is the result of personal capital or, in other words, of education."<sup>1</sup>

It is impossible to reconcile this statement with his general treatment of monopoly, nor am I aware that he himself attempted any such reconciliation. At this point an optimistic tendency in his nature seems to have asserted itself strongly. But Senior could be severe enough in denouncing monopoly. Speaking of a possible restriction by government of the use of coal to that mined by a single colliery, he says: "The possessor of that colliery would enjoy a princely revenue. But the gain from such a monopoly is not strictly rent; it is oppression and robbery."<sup>2</sup> He also again and again denounced as an iniquity the monopoly due to a protective tariff.<sup>3</sup>

<sup>1</sup> *Political Economy*, p. 134.

<sup>2</sup> *Ibid.*, p. 182.

<sup>3</sup> See *Three Lectures on the Transmission of the Precious Metals from Country to Country and the Mercantile Theory of Wealth*. London, 1828. P. 52. Also, *Essay on National Property*. London, 1835. Pp. 3-4.

Senior had in some degree the disposition of a social reformer. As reported by Thornton, he himself said: "When I was about five and twenty, I determined that I would reform the condition of the poor in England."<sup>1</sup> In various passages in his *Political Economy* vigorous denunciation of special privilege shows us that the fire still burns at the age of five and forty! The large economic significance attributed to education by Senior places him in company with a strong body of humanitarians, while his sharp distinction between gains of monopoly and individually earned incomes brings to mind the doctrines of socialism. In fact, Senior's entire treatment of monopoly suggests to the modern mind many practical applications of his doctrines, and it is not unreasonable to believe that many of our after-day reform movements may be traced back to Senior's *Political Economy* as one of several sources.

But Senior himself did not make these practical applications. And why? One thought which occurs in answer to the question is this: Senior held that the practical application of economic truths does not fall within the scope of economic science. He is very pronounced on this point, thinking that, as many other considerations than purely economic ones enter into practical policy, the economist, as an economist, should be content with stating economic truth, and should let the consequences of this truth take care of themselves, or, to speak more accurately, that he should let others combine economic truth with other truths and thus secure a basis for practical policy. We might then, in this attitude of Senior, find an explanation of a lack of practical application of his principles. However,

<sup>1</sup> Thornton, *On Labor*. Preface.

Senior did not confine his writings to economic subjects, but covered a large field, including such avowedly practical subjects as poor-law reform and education. Moreover, he traveled extensively and conversed with distinguished men of many lands on subjects which interested him. We have thus more than a dozen volumes by him bearing such titles as "Correspondence and Conversations of Alexis de Tocqueville with Nassau William Senior," and "Conversations and Journals in Egypt and Malta." But these other works show the very slightest traces of his economic thought. Imagine one of our modern economists traveling extensively in foreign countries, conversing and corresponding with distinguished persons of our times and concealing altogether his economic views, neither shedding nor seeking economic light! The truth seems to be this: Senior was an able, logically trained man, who, when he was appointed to a professorship in economics and it thus naturally came in his way, temporarily gave himself to economics. Economic science, however, was never a chief end with him; it did not enter into his flesh and blood; it was to him rather a cloak, which he put on for convenience, and, when it had served his purpose, took off decently and laid aside. This explains also why he stopped short of the results which he might have reached, had economics been his dominant and controlling interest.

It has been suggested that he was indolent. I do not know what the foundation for this statement may be. It is certain that he relied on his logical powers, and not on careful study either of phenomena or of the writings of others.

On account of the limitations of time, I will not now undertake to criticize the wide use of the term monopoly

by Senior, nor to show you how strong has been the influence of Senior's discussion upon the evolution of the idea of monopoly in economic literature. Elsewhere I have attempted to define monopoly more narrowly, and to show what I conceive to be the unfortunate effects of the evolution of the idea of monopoly to which I have just referred.

Had a less able writer reached the same results which Senior has reached in his discussion of monopoly, we would, perhaps, be satisfied, saying that he had done as much as could be expected from one writer. With Senior, however, we do not feel satisfied, simply because it seems to us that so able a mind ought to have done more than he did. We feel that we cannot say of him, "he hath done what he could." Yet no one knows the obstacles with which another may have to contend, and we may charitably close this brief discussion with the statement that Senior has done a considerable amount of good work, which, it is now generally felt, has in the past failed to receive adequate appreciation.

## THE PLACE OF THE SPECULATOR IN THE THEORY OF DISTRIBUTION.

BY PROFESSOR HENRY CROSBY EMERY.

The theory of distribution has been so prominent a subject of discussion in recent years that one is hardly justified in raising any part of the question, unless one means to offer the solution of some difficulty or at least to add something especially troublesome to the already existing confusion. Since the present paper does not undertake to do either of these things, it would claim your attention under false pretences except for a word of explanation. It is in fact the theory of speculation, rather than the theory of distribution, which suggests the ideas here presented. Writers on the theory of interest and profits have not infrequently raised the question of how far the assumption of risk is a factor in the process of distribution. On the other hand, the present writer from a study of the practices of a certain class of risk-takers has been brought to the question of how far the gains of this class are to be explained under the prevailing theories of distribution. The intention of this paper then is to *ask* this question rather than to *answer* it, and, in asking the question, to point out certain facts regarding the speculative market which have hardly been adequately considered by writers on distribution.

Mr. Hawley some years ago advanced the theory that the chief characteristic of the entrepreneur is the assumption of risk, and that profits are primarily the reward for risk-taking. Prof. Clark replied that the assumption of risk is the function of the capitalist,



since there can be no talk of risk where there is no capital to lose. Profits, on the other hand, according to this theory, are the reward for the mere work of co-ordinating labor and capital, without regard to the risk involved. Prof. Carver has suggested that the reward for the assumption of risk, which he calls insurance, be made a fifth share in distribution in addition to rent, interest, wages and profit. Mr. John Haynes in an article on Risk as an Economic Factor raised a double objection to this :—

First, that the assumption of risk is not separable from other functions, being always associated not only with the work of the entrepreneur, but also with that of the laborer and the capitalist.

Second, that there are no instances of actual persons acting solely as risk-takers.<sup>1</sup>

This brings us to the function of the speculator and to the problems of risks. Various classifications of risks have been suggested, and here, as elsewhere, different classifications may well be made for different purposes. It will be allowable for the purposes of this paper to distinguish between two classes of risks: the risks of production and speculative risks. Risks of production include the risks of destruction of property, of mistakes in methods, of miscalculation regarding the amount of output, of incompetent service, of incompetent management, of fraud, of danger to life or health, etc. Some of these are borne by the laborer, some by the capitalist, most of them by the entrepreneur. By

[<sup>1</sup>The Fundamental Error of "Kapital und Kapitalzins, by F. B. Hawley, *Quart. Jour. of Economics*, 6:280-307,—also the Risk Theory of Profit, *ibid.*, 7:459-479; Insurance and Business Profit, by John B. Clark, *ibid.*, 7:40-54; The Place of Abstinence in the Theory of Interest by T. N. Carver, *ibid.*, 8:40-61, see footnote on p. 58; Risk as an Economic Factor, by John Haynes, *ibid.*, 9:409-449.]



speculative risks I mean the risks of price fluctuations affecting the whole market,—that is, the distinctively Conjectur-risks. For the moment the question of the risk undertaken by an entrepreneur who puts new goods on the market is not considered. Such industrial risks are usually called speculative, but by the term speculative risks as here used it is desired to convey the idea of such risks only as result from continuous fluctuations in price, and which have produced a special class of pure speculators.

The distinctions to notice between these two classes of risks are: firstly, that those of the first class affect the course of production, and that those of the second class are outside the process of production. Secondly, the risks of production are risks that will only be realized in the case of scattered individuals; the speculative risks are of dangers threatening a whole class. Loss by fire, or by faulty machinery, for example, falls at any one time only on a few individuals. Every general fluctuation in price affects all holders of that kind of property at once. Thirdly, the risks of production in many cases can be met by insurance; the risks of the Conjectur cannot. This is evidently partly due to the difference just noted. Insurance, in the strict sense, as suggested by Mr. Haynes and others, is not an assumption of risk by a separate party. The losses to which a group of men is liable, when they fall on individuals are met by the group as a whole. All insurance is mutual insurance. Where an insurance company is a stock company, the amount of the stock is merely an additional guarantee fund. Speculative losses cannot be met by mutual insurance, since they fall on all members of the class at once. These are risks that inhere in ownership, and they can be met

only by a transfer of ownership. Fourthly, this distinction brings out yet another. In the case of insurance, a guarantee of compensation for loss is secured by the payment of recurring premiums of a fixed amount. These premiums correspond to the actuarial value of the risk. In the case of the assumption of speculative risks there are no such payments, but for every risk of loss there is a chance of gain ; the only payment for the transfer of the risk is the coincident transfer of the chance of gain. To assume risks in this manner is the function of the speculator.

The practices adopted by merchants and manufacturers in certain lines of trade to protect themselves against any sudden market changes, are doubtless too well known to need further explanation ; and yet, to show the nature of the speculator's function as a risk taker, I may be pardoned for recalling briefly the special methods employed. We may take the case of the wheat market as an example, though the same practices are to be found in the market for cotton and other speculative commodities.

Formerly the miller or the wheat dealer who bought wheat ran great risks of loss by a sudden fall in price due to causes which he could not have foreseen. Or, if the miller made a contract in advance to deliver flour, he ran a similar risk of a rise in price. As the market for wheat became a world market, the mere ownership of wheat was attended with enormous risks, and the more the volume of trade increased, the more unbearable these risks became. The rise of the speculative market has made it possible to transfer these risks, to a large degree, to other shoulders. Under the present arrangement the merchant (or the miller), whose agents are buying wheat in the country, knows at a glance

what prices he can offer, following daily the prices on the exchange. Whenever the agent buys wheat, he telegraphs the fact to the merchant or miller and the latter at once sells an equivalent amount for some future delivery period on the exchange at the market price. Suppose the person in question to be a Minneapolis miller who has made his speculative sale on the Chicago exchange by telegraph. So far he has bought wheat in the country and sold wheat at Chicago. The wheat bought is stored in elevators and in course of time made into flour, and, as the flour is sold at market prices, the wheat sold in Chicago is bought back at the market price there and the speculative transaction settled by differences in the ordinary process of clearing. In this way the miller is protected against a fall in the price of wheat by foregoing the advantage of a rise. If wheat falls in value, he loses on his flour sales, but gains an equivalent amount on his speculative sales. If wheat rises in price, he loses in Chicago, but his loss is offset by the high price he gets for his flour, since the price of flour in the main follows the price of wheat.

In the case where the miller receives a bid for a certain quantity of flour to be delivered at a future date, he determines, according to the prevailing price of wheat for future delivery, what sort of an offer he can accept. The contract for the delivery of the flour once made, he promptly buys wheat for a future option in the market. Then as he buys actual wheat in the country (or in elevators) for grinding purposes, he, coincidentally with his purchases, sells out his speculative holdings. Here, too, a gain in either case is offset by a loss in the other, and the results of the fluctuations reduced to practically nothing. The same thing is done by the wheat merchant. He buys and sells wheat, but

he carries two lines, one in the speculative market and one outside. Whenever he makes a contract outside, he makes one of the same amount and of the opposite nature in the speculative market, and is thus protected against price fluctuations. Not only is this kind of protection possible, but it is the ordinary practice among wheat merchants and millers. It is said that nine-tenths of the holdings in the great northwestern wheat depots are protected by being "sold against" in this way.

We have then in the case of the speculative market a method of shifting risks unlike anything else in the business world, and we have a special class whose distinct function it is to assume these risks. Can this special class of risk-takers be subsumed under any of the recognized classes in the theory of distribution? It will be granted at once, I suppose, that the speculator is not a laborer, and that his gains are not of the nature of wages. Is he an entrepreneur? If we adopt the risk theory of profits he might seem to be the most perfect type of the entrepreneur. Evidently, however, he cannot be so considered without a departure from all previous use of terms. The speculator does not employ labor, nor direct the course of production, and somehow we must consider the entrepreneur above all else the directive mind in the field of production. That the assumption of strictly speculative risks is not a necessary part of the entrepreneur's function is seen from the fact that even where the price of the finished product and the price of the raw material are both fixed by previous contract, that is, where these risks are practically eliminated, the manufacturer is still an entrepreneur. To deny to the modern miller the name

of entrepreneur is to throw our whole nomenclature into confusion.

Nor is the speculator an entrepreneur of the merchant type. The merchant is not so distinctly an employer of labor as the manufacturer, but he is concerned with the problem (which is on the whole one of production) of getting goods from the hands of the producer into the hands of consumers; and his share of the annual product is his reward for this service. But the function of the speculator is different. The trader buys in one market and sells in another; he buys of the producer and sells to the exporter, or he buys of the jobber and sells to the retailer, or he buys of the wholesaler and sells to the consumer. Between these different markets there are differences in price, not temporary fluctuations, but continuous and normal differences. The trader's service to society consists in getting goods from one market into the other. His normal profit consists of the normal margin between the prices in the different markets. The speculator's profit, on the other hand, comes from fluctuations in price in the *same* market; he may buy from and sell to the same person and still perform his function. His profits are not made up of any normal margin between prices, but from temporary fluctuations, and these profits are his reward for the assumption of the risks that accompany such fluctuations.

It is evidently much the same with the manufacturer. He too buys in one market and sells in another between which there is a normal difference in price. Even where the protection of the speculative market is secured, there still remain to the entrepreneur various risks of production, and to the merchant the purely trading risks. There are still many problems to be



settled by each, problems of methods and of policy, and their shares of the annual product depend upon the success with which they meet these problems, which are problems of competition with their rivals, though they have largely avoided the dangers which formerly confronted them and their rivals alike.

But if the producer has secured a method of avoiding these risks, what has become of the extra reward or profit, which he formerly obtained (when successful) for the assumption of such risks? If he does not perform the service, we should expect to see his reward diminished; and that is exactly what we do find. The old profits of the miller, the grain merchant, the cotton merchant and the spinner are not forthcoming to-day. The primary reason is that a large part of their old profits was reward for risk-taking and that the transfer of the risk means also the transfer of the profit. Formerly a wide margin was always allowed for risk between the selling price and the price that the merchant would offer the producer. That margin has been completely wiped out and now the merchant pays the price of the central market to the producer, less the legitimate trading costs. There is frequent complaint from cotton spinners that their business has been hurt by the speculative market, and a prominent miller supported the anti-option bills before Congress largely on the ground that the miller for the same reason was put at a great disadvantage in his purchases. In other words he was not satisfied with purely manufacturing profits and he still yearned for the speculative profits of the past. There could be no better illustration of the distinction between the reward for assuming speculative risks and the reward for the performance of the entrepreneur's function, than this division between two classes of the



share in distribution formerly accruing to the one class which performed both functions. The principle involved is not affected by the fact that the risks are never completely transferred or that this practice is only possible in the case of certain industries. It is worthy of note that in the case of certain other industries of a speculative nature the risks had become in like manner a great hardship and that they have been, not transferred, but avoided by another method, viz: that of monopoly control. In some cases there seems a choice of means. For example, the sugar refiners in this country have adopted the monopoly method, while in Germany the refiners have sought the protection of the speculative market.

Shall we, then, call the speculator a capitalist, and consider the assumption of risk a function of capital? Is not this an equally unwarranted misuse of familiar terms? The capitalist, as a claimant to one of the shares in distribution, is in control of one of the means of production. His function is to supply capital for continuous use in the process of production, and this use adds to the flow of wealth out of which the reward of the capitalist comes as a recurring yield. Or, if the element of insurance in interest be considered, this too is a recurring income. But the speculator does not put his capital to some use in production and does not expect a recurring yield. He is concerned, so to speak, not with putting it to some use, but of putting it into different forms. Mr. Hawley says that under Professor Clark's theory the capitalist gets two returns, one for using his capital and one for venturing it. We might almost say that the speculator does not use his capital but merely ventures it. It is doubtful whether we should speak of a rate of speculative profits at all. The

speculator is not an investor and probably does not introduce the time element into his calculation of profits. The gain of the speculator is a separate one for each venture. The reward to the entrepreneur or to the capitalist is roughly proportional to the duration of time in which their respective agents of production are used. But is this the case with the speculator? or does he consider his gains as an income from the capital with which he started? Does it not go into the same pot as an increase of capital? In other words, while the recognized shares in distribution are best considered as a flow of wealth, should not speculative profits be interpreted as changes in the relative values of different parts of an existing stock or fund?

To conclude: The assumption of speculative risks is a special function, as shown firstly by the fact that it is not a necessary part of the function of any of the three classes commonly recognized, the laborers, the capitalists, or the entrepreneurs; secondly, by the fact that it is the sole function of a class which does not have the characteristics of any of the classes just named. The main theory of distribution, however, must deal with the rate of production. According to the most commonly accepted theories, the laborer, the capitalist, and the entrepreneur have their shares of the product determined by their contribution to this rate of production, and their sacrifice in making this contribution. There are risks of production which each class must face, and these risks vary in different lines of employment, of investment, and of enterprise. The rate of wages, interest and profits will normally vary in these different lines since the actuarial value of these risks can be roughly computed. They are risks that

threaten the individual, and the losses can be made good by a rate of insurance.

Speculative risks, on the other hand, are not to be considered from the point of view of a certain quantity of production within a period of time, but from the point of view of differences in relative values at fixed moments of time. They are not to be met by means of recurring payments similar to insurance premiums, nor are speculative profits to be explained by principles which determine the shares of the different productive agents according to the rate of production. They are not determined by any marginal efficiency or marginal sacrifice of the speculators. They are not determined by law of rent which is concerned with increased rates of production due to differential advantages in the productive process.

This does not mean that the speculative market is not an aid to production. It is difficult to see how a great world trade in such staples as grain and cotton would be possible without it. Speculative risks, however, stand in a way outside the *process* of production, and speculative gains constitute, not a coördinate share of the annual product with wages, interest and profits, but rather such claims to the product as are represented in all property rights.

So far we have considered only the risks of continuous price fluctuations and the gains of a class that may be called professional speculators. The risks and the gains of this class differentiate themselves easily from the risks and gains of production. There are, however, risks which the entrepreneur usually carries which may be thought to be primarily speculative and yet not to come under the principles here suggested, that is, the

risk of the entrepreneur in producing something for which there is no certain demand. The extreme case of this is where an entirely new product is put on the market in the hope of hitting some whim of public taste. These are, to be sure, risks of an unfavorable price for the finished product, and yet they are not the same risks to which the term speculative has been applied above. There is a difference between the anticipation of a new demand or a permanent fall in price due to improvement and the temporary and continuous price fluctuations of the speculative market. It is interesting but not theoretically important that these latter fluctuations are chiefly in raw materials rather than in manufactured products. It is not confusing the production of material goods with the creation of utilities to distinguish between continuous fluctuations of this nature and the risks incident to a normal future demand.

It may be then that the theory of speculative gains here suggested will be of little importance in the consideration of the ordinary industrial risks of the entrepreneur. But if the purely speculative risks are *sui generis*, that part of the gains of the entrepreneur which is due to the assumption of just such risks must be explained as purely speculative profits.\*]

MR. STUART WOOD: I have listened with much interest to the suggestive and stimulating paper of Professor Emery. In commenting upon it I would wish, first, to discriminate between the different kinds of speculation. I take it that this, properly speaking, is

\* For permission to publish Professor Emery's paper the American Economic Association is indebted to the editors of the *Quarterly Journal of Economics*, to whom it had been promised before the Council of the Association directed the publication of all the papers read at the Twelfth Annual Meeting.

of one of two kinds. The first kind consists of transactions into which both parties enter from speculative motives, one party betting, as it were, on the fall of price, and the other party betting on its rise. Here the losses of one speculator exactly equal the profits of the other, and such transactions add nothing to the wealth of the community. This form of speculation is, in its essence, gambling, and as such there attaches to it something of the same odium that belongs to the gaming table; and, as in the case of gambling establishments, in this form of speculation professionals are often ranged against amateurs. The amateurs are called lambs, because it is their nature to be shorn.

The other form of speculation occurs when the speculator deals with a second party whose purpose is not speculation, but insurance, and this, of course, is the kind of speculation to which Professor Emery's paper refers. The second party is thus insured against the risk of fluctuation of prices, and this insurance is to him a valuable consideration, as truly as insurance against fire or storm. The payment, it is true, for this kind of insurance is made in a different way. In the one case the insured pays a fixed annual premium in consideration of a guarantee against loss; in the other case he accepts a guarantee against the chance of loss, and he pays for it by surrendering a chance of gain. He obtains a surplus value in the exchange, because it enables him to direct his energy and thought to the other factors of his business; and so great is this gain to him, that he can afford to exchange the conflicting chances at a rate which leaves a margin or balance of chances in the speculator's favor, which margin is the source of the speculator's profit.

While the individual is benefitted in this manner, this



fact would not of itself increase the productiveness of industry or the net income of the community, if the effects of the transaction stopped here. What, then, is the benefit which the community at large receives from the transaction? The function of speculation in moderating the fluctuations of price, and in directing the industries of the country into profitable channels, has been often set forth. It is the business of the speculator to foresee the course of future demand and supply, and so conjecture the course of the future markets. His action, therefore, tends to forstall future changes of price and brings into play the forces which mitigate such fluctuations. There results a greater stability of price, and industry is in this way more promptly directed into the most profitable channels. We may illustrate this by the cotton market, which is one of the most highly organized of all markets. Liverpool is the centre of the trade, and the price for the whole world is fixed there daily, by the competition of the best informed and keenest minds engaged in this business. This price is wired immediately to every village in the world where cotton is bought and sold, and according as this price is more or less tempting, the farmers bring forward their crop and put it on the market more or less rapidly, and what is of still greater importance, as they are satisfied or discontented with this price, they decide how great or how small an acreage to plant in cotton for the succeeding year. In this way the effect of speculation is to bring into existence, as nearly as can be arranged in advance, so much cotton, and no more, as is required at any time.

The fact, however, that the speculator renders service to individuals or to the community, does not in itself indicate why or how he obtains payment for them. It is not the custom of mankind to pay for services or



utilities which can be obtained gratuitously, or else we would be paying every moment for the air we breathe. But, of course, the speculator would not render these services unless he expected to be paid for them. The question, then, resolves itself into this: What enables the speculator to render these services to others? The answer seems to be, that he is enabled to obtain the profit which pays him for his services, for the reason that he possesses a knowledge of existing conditions and a skill in estimating their remoter consequences, which enable him to judge better than others what future prices will be. It is true that he generally has some capital, which is required as a guarantee for his transactions, and on this he must realize the ordinary rate of interest, together with such profit as is usually paid in hazardous lines of business. He must also receive compensation for his labor and for his outlays in obtaining information and in conducting his business. But these things represent only a small part of speculative profits.

The preponderating and the distinctive element in speculator's profits is really a payment for knowledge and skill, just as is the case with the earnings of a lawyer, a physician, an engineer, or an entrepreneur. Because he can forecast the future course of prices better than other people; because he knows better than other people upon what odds the wager of advance in prices can be laid against the wager of decline in prices, and makes his transactions with this knowledge, he is able to secure a margin in his favor in the exchange of chances, and according to the perfectness of his knowledge and the sureness of his foresight will be the resulting profit to himself. If one speculator's profits, in the long run, exceed those of another speculator, this is due (aside from the influence of chance, which is always

present) to his superior knowledge and ability. In this way it can be said that the law of speculator's profits bears a certain analogy to the law of rent, an analogy which is none the less true because the means of payment are so diverse, the rent of land being one of the most certain forms of income, and speculator's profits being one of the most uncertain forms. Here, as elsewhere, the law of averages obliterates the divergences of single instances.

Professor CARVER : I wonder if, after all, we cannot include speculator's profits under the same class with those of the entrepreneur. At least it seems to me that they belong with producer's surplus, since the speculator is really a producer of time utility. That is to say, if we are speaking of the legitimate speculator, whose business it is to buy when goods are cheap and sell them when they are dear, we must regard the profits of such transactions as payment for an actual service to the community. When goods are abundant and cheap, they must be put to inferior uses unless some one is willing to hold them for a better market. At the same time, if no one were to hold the goods and they were put to an inferior use, when the period of scarcity came the scarcity would be much greater than it would if the speculator had held goods for the purpose of selling them at just such a time. This is production just as truly as it is for some one to put up ice in the winter when it is cheap and abundant and sell it in summer when it is dear and scarce. Moreover, it is production just as truly to carry goods from a *time when* they are cheap to a *time when* they are dear as it is to carry them from a *place where* they are cheap to a *place where* they are

dear. Yet no one would deny that a railroad is a productive agent.

This is, of course, only an elementary form of speculation. The actual speculation as it is carried on in the great centres appears, at first sight, different. The changes in price have become almost microscopic in amount as well as in time covered by the fluctuations, so that it seems difficult to see where the real production comes in. But it seems to me that the essential nature of speculation has not changed. It still consists in buying when goods are cheap and selling when they are dear. But owing to the intensity of the competition in this most competitive of all forms of business, the fluctuations are so rapid and sometimes so microscopic in amount as to bewilder us in our attempts to bring the business under any rule of production.

Mr. GIDDINGS thought Mr. Emery's paper and Mr. Carver's discussion admirable examples of close theoretical analysis. He doubted, however, if the function of the speculator could be described in terms of economic production. The speculator increases social utility by determining the rate and the time of the consumption of products, rather than by affecting production or raising or lowering average prices in the long run. He does not in the long run produce value. Possibly, therefore, Mr. Emery's difficulty could be explained by asking whether speculation is not a phenomenon to be studied under the theory of consumption, rather than under the theory of production.

President HADLEY: I am disposed to agree with Mr. Carver, and to take issue with Mr. Giddings. The analogy between the work of the speculator and that of

the ordinary trader in their uses of capital seems to me a little closer than is implied in Mr. Emery's paper. Those persons who use their capital in transportation carry goods from place to place, and earn a profit by so doing, most of which is in the nature of interest. To carry goods over from time to time, which is the work of the speculator, a similar use of capital is necessary; and his profits therefore have the same interest element contained in them. The trader puts his capital into wagons; the speculator puts his into cash reserves. The gain of the latter is made by using money to carry goods. This cost of carriage is represented by the current rate of interest on floating capital.

MR. EMERY: As for Mr. Carver's objection I admit that speculation is productive, but the difficulty of including a speculator among the entrepreneurs comes in, as I have said, when we are to consider distribution. The gains of the speculator cannot be explained by the same theory that explains the rate of entrepreneur's profit, and this fact is certainly suggestive of difficulties in the attempt to include the speculator in the entrepreneur class in the theory of production.

MR. COMMONS: We may identify the speculator with the entrepreneur by means of Mr. Emery's suggestion as to insurance. Just as the stockholders of an insurance company afford an additional guarantee to the insured, so the speculator uses capital which Dr. Hadley says he has obtained on interest, to afford an additional guarantee against losses by fluctuations of prices.

PROFESSOR RIPLEY: Mr. Emery has illustrated his argument by reference to businesses in which the part of the speculator and of the entrepreneur are separated

as in the case of the wheat miller and the dealer in wheat options, but in many industries these two functions are joined in one man. The manufacturer of boots and shoes, for example, buys leather for shoes that he will sell six months hence ; and he sells the same day an equal amount of leather made up into shoes for which he had bought the leather six months ago. He is continually carrying goods from time to time at the cost of borrowed capital, and thus appears to be both speculator and entrepreneur. Yet on analysis it may be found that the element of speculation is largely eliminated by reason of the unbroken continuity of the transactions. Covering long periods of time, the chances of gain and of loss tend to equalize. The difference between such operations and those of the speculator is that in the case of the manufacturer there is little interruption to their even course ; while the speculator stands outside of the business world and seeks to engage in operations only at irregular intervals, when profits, either for a fall or a rise, are in sight.

Mr. EMMERICK raised the question whether on the whole the speculators as a class really get anything out of their activity, as Mr. Emery assumes that they do.

Professor CARVER : I am quite willing to admit, with Dr. Wood, that speculators' profits are payment for knowledge and skill, *in a certain sense*. But that still leaves the problem unsolved, because it does not explain what that knowledge and skill are worth. Knowledge and skill are not ordinarily paid for unless they are good for something. It was my purpose, a few moments ago, to show that the speculator performed a real service, that he was a producer. Dr. Wood's theory is, there-



fore, incomplete and needs a further explanation to show why the knowledge and skill of the speculator were paid for.<sup>1</sup>

Mr. EMERY: I wish only to reiterate that it is both possible and customary in the case of some trades to separate the speculator and the entrepreneur in fact, and that it is consequently possible to make this separation in analysis. Whether or not such a separation in analysis is necessary is a question which the paper was meant to ask, rather than definitely to answer. It still seems to me, however, that the gains of the speculator are of such a nature that they cannot be accounted for by any accepted theory of distribution dealing with the annual returns depending on the rate of production.

[<sup>1</sup> In reviewing his remarks Dr. Wood expanded them somewhat, perhaps meeting in part the objection which Professor Carver had brought against them in their oral form.—SECRETARY.]



## TAXATION AS A PARTIAL SUBSTITUTE FOR BORROWING TO COVER THE COST OF PER- MANENT MUNICIPAL IMPROVEMENTS.<sup>1</sup>

BY PROFESSOR E. DANA DURAND.

The rapid increase of municipal debt has often been a source of apprehension to city-dwellers and to thinkers interested in the welfare of cities. It has been said that a large proportion of such indebtedness, especially in our American cities, has been due to extravagance and corruption, to the accumulation of floating debts until their funding became necessary, to borrowing for nominally permanent investments which should properly have been considered current expenditures. By these means, it is urged, the present generation squanders the city's patrimony. It is considerations of this nature that have led to the enactment, in a large proportion of our states, of constitutional and legislative limitations on the power of cities to incur debt.

Most publicists and students of finance, however, believe that there is properly a wide field for municipal borrowing. They tell us that it is not the use but the abuse of debts that is to be condemned. The rapid growth of cities, the increasing dependence of the individual upon his fellows as population becomes more dense, the constantly rising standards of wants among the citizens, and the immense improvements constantly being made in the mechanical means of satisfying these wants, have demanded and are demanding a sudden and great development of relatively permanent public works

<sup>1</sup> Some modifications have been made in this paper since it was read, on the basis of suggestions by Professor John C. Schwab and Professor H. H. Powers, which the writer gratefully acknowledges.

involving heavy expenditure. Granted that such expenditure is to be made, most writers on finance hold not merely that it may wisely but that it must properly be met by the creation of debt. Thus Professor Adams points out that the engineering interest, requiring that such works be promptly executed, and the financial interest, forbidding sudden excessive increases in taxation, demand resort to borrowing in such cases. He suggests that the duration of the debt should be regulated in part by the probable length of time before the work or improvement for which it was incurred will need to be replaced; and thinks it would be legitimate enough, under certain circumstances, that the bonds for a park should be of perpetual duration, the interest being considered in the light of an annual rental for a permanent privilege.<sup>1</sup> The same and other writers add that the greater certainty with which estimates of future revenues and expenditures may be made in the city, as compared with the state, especially justifies a wide use of municipal credit. Particular stress is laid on the desirability of meeting by means of bond issues the cost of undertakings of a *quasi*-private nature, which can be made to earn a revenue to cover their own debt charges.

To these general principles concerning municipal debt most of us will give ready assent. But it may not be superfluous to remind ourselves also how wide may be the application, in a huge and growing metropolis, of another tenet which financial writers have laid down with emphasis on its significance in national rather than in local financiering. Thus Wagner,<sup>2</sup> among others, points out that the capital investments of nations, at least the smaller investments, such as those for new

<sup>1</sup> Adams, "Public Debts," 314, 315.

<sup>2</sup> Wagner, "Finanzwissenschaft," I, 166.

buildings, often tend to become quite uniform in amount from year to year. Whereas similar investments by small local governments would be rare and properly made out of borrowed money, for the larger financial economy they are often essentially recurrent and should be paid for by ordinary revenue. In accordance with this principle we find that our own federal government, for example, rightly meets out of current income practically the entire cost of new public buildings, fortifications, war-ships and similar constructions of a relatively enduring character.

We are apt to overlook the fact that our great cities are coming to resemble national governments not a little in the magnitude and variety of their enterprises. The full importance of the principle we have just mentioned in its bearing on municipal finance is scarcely appreciated in most quarters. Attention has, to be sure, been frequently enough called to the fact that, with the rapid growth of our cities, expenditures for certain kinds of public works tend to recur with approximate uniformity, even though each particular piece of work done may be in a sense a permanent improvement. However much the practice of some cities may violate the rule, it is fairly well understood on all hands that such expenditures as these ought to be covered by taxation, not by borrowing. But when works of this sort are spoken of, those usually in mind are practically limited to two classes—street improvements and minor public buildings, such as school-houses, etc., which must be extended steadily with the growth of the city in territory and population.

It is a less familiar thought that in a very populous and growing city, the expenditures for much larger and more general enterprises of a permanent nature also

tend toward a certain degree of regularity. The influences to which we have already alluded as partly justifying the present large indebtedness of cities conspire to make constantly recurring demands for new bond issues. Concrete illustrations will make the effect of these influences more apparent.

It has often been the experience of great cities that a water system deemed sufficient for a century has been comparatively soon outgrown by the extension of the city, and by the demand for increased consumption *per capita*. The old plant must be continually enlarged ; there must be new pipes, new pumps, new reservoirs at the source of supply, and in or near the city itself. At the same time the rising standard of public opinion regarding the sanitary character of water, or perhaps the increased pollution of the water from the growth of the city itself, or of other places, requires new outlay for purification processes. These same circumstances are likely sooner or later to drive the city to add to or replace its existing water system by another having an entirely new source of supply. The expenditure for this new enterprise will often be made, not in that sudden fashion with which we sometimes think of public works as leaping into life, but by instalments covering quite a series of years, during which the city contents itself with the old supply, or with the gradual introduction of the new. Putting all such expenditures as these together, there is apt to be found a rough regularity in outlay, if not from year to year at least from one period of a few years to the next.

A similar experience is met by the great city with its public parks, squares and boulevards. Growth of population, and increased desire for recreation and air for all classes of citizens, call for the opening of new spaces, in

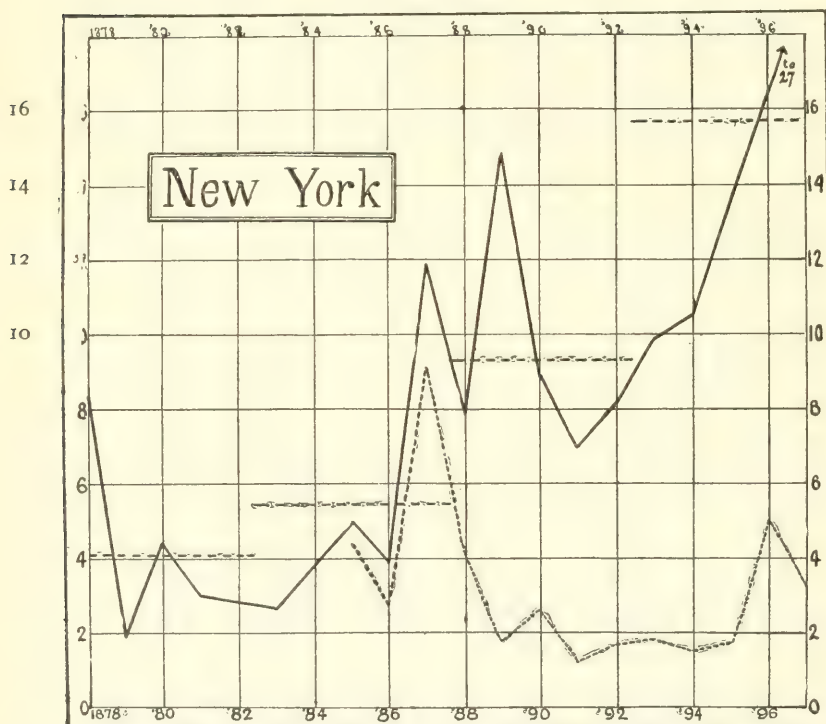
the outskirts of the city and in the crowded old sections as well. Existing parks must, in the meantime, be improved and beautified. There is thus almost constant demand for new capital investment. It could readily be pointed out how the same general condition of affairs would be apt to manifest itself regarding bridges, sewers, public buildings, gas works, and other enterprises.

If now in regard to any one class of public works the great modern municipality often finds necessities for new expenditures arising in a somewhat uniformly recurrent manner, it is self-evident that outlay for all of the different classes of works taken together will be likely to approximate still more toward regularity in amount. The fluctuations in expenditures for different purposes tend to offset one another. Moreover, even if unusually large expenditures are called for in some one or two years, they will probably be counterbalanced by lower expenditures in the immediately following years, so that by taking short groups of years as our units the regularity in outlay becomes much more marked. Of course, this tendency is only a tendency; the regularity in any case is only a rough one. It may happen, as we shall point out more fully later on, that peculiar circumstances may cause the needs for new permanent improvements to stand for a considerable period far above the average. But ordinarily such needs themselves tend to arise successively, rather than concurrently. Moreover, the capacity of city officers to give thought and effort to great undertakings is limited, so that they feel less disposed to take up several enterprises at one time. The people, too, even where the money for such works is entirely borrowed, are usually too jealous of expenditure to permit the outlay for new improvements to remain for any number of years very greatly above the average



to which they have been previously wonted. Considerable variations in the amount invested in different years or groups of years are, of course, to be expected, and occasionally large variations, but, broadly speaking, there is a distinct tendency toward recurrence and regularity.

The point we have been developing from general considerations may now be illustrated by the statistics of



Vertical scale reads in millions of dollars.

the amount of bonds issued annually by various great cities. We may premise that the probabilities are that bond issues themselves fluctuate somewhat more from



year to year than the actual expenditures of money on works paid for by borrowed funds.

Referring to the diagram showing the yearly issues of bonds by New York City from 1878 to 1897,<sup>1</sup> a first glance at the sharp upward and downward movements of the curve seems to show quite the opposite of a tendency toward uniformity. But each angle represents a single year only, and where we group years by twos, threes or fives, we discover a much greater regularity in outlay. Thus the very large borrowings of 1887 and 1889 are offset in part by small loans in the preceding, intervening and following years. By taking the average for groups of five years, as shown in the broken lines, we see quite a steady geometric rate of increase in the amounts borrowed. In only one year, 1879, have bond issues amounted to less than two millions, while since 1887 they have never fallen below seven millions.

The most satisfactory method of judging the degree of uniformity in the bond issues from year to year is, perhaps, by calculating the percentage of variation from the five-year averages, that is, the percentage by which the sum borrowed each year stands above or below the average for the group of years in which it belongs. It will be found that in nine out of the twenty years the variation from these averages in New York has been less than 25 per cent., and in fourteen less than 50 per cent. The average of all the percentages of variation is 36.4 per cent. The largest excesses above the average are respectively 118 per cent. and 105 per cent.; the largest

<sup>1</sup> Compiled from figures in Durand, "Finances of New York City," p. 320, and in "Annual Report of the Comptroller of the City of New York," 1897, Statement B, II. Here and in the figures for the other cities refunding and temporary bonds have been omitted where separable.

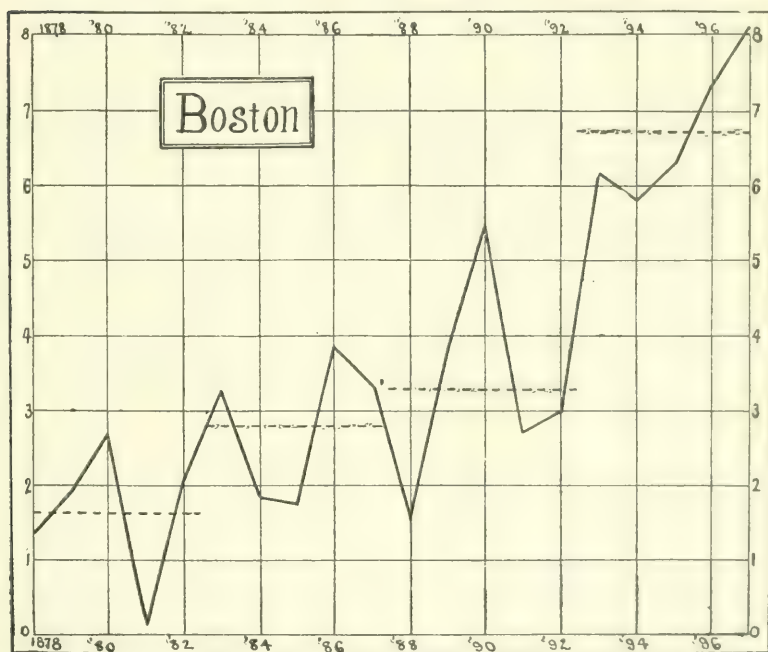
variations below the average are 55 per cent. and 51 per cent.

The point that a rough sort of regularity may attend the capital expenditures for even a single form of enterprise is illustrated by the annual bond issues of New York for water supply since 1885,<sup>1</sup> indicated by the dotted line. The second great Croton Aqueduct was begun in that year, and, although the expenditure was greatest during the first few years after its inception, water was not actually brought to the city through the new conduit for nearly a decade. Meantime and since continual expenditure has been necessary for impounding more water, protecting its purity, and for other purposes. The bonds issued for water purposes have in no year fallen below one million dollars, and have usually ranged more nearly two millions. The Greater City is already considering the necessity of further water supply for the borough of Brooklyn.

It may be said that New York is so much larger than most even of our great cities as not to be fairly typical of their financial conditions. Unfortunately, data are not at hand to trace the annual bond issues of any considerable number of cities. Even were this possible, however, many American municipalities would be far from showing in their borrowing a normal course of development. Constitutional limitations, popular distrust of rulers, short-sighted policy in neglecting needed public works or leaving them to private enterprise, have kept many of them from spending what a progressive city should for permanent improvements. This is, in part, the explanation of the small indebtedness of Chicago and San Francisco, and of the slight new loans which

<sup>1</sup>Compiled from Comptroller's Report, 1893 and 1897, Statement B, II.

St. Louis and Philadelphia have incurred during the past fifteen or twenty years; although to some degree these cities have resorted to taxation to pay for public works. More typical, I think, of our cities of the second class, are Boston and Baltimore, both of which make free—often, doubtless, even from the standpoint of the ordinary financier, too free—use of their credit.



Vertical scale reads in millions of dollars.

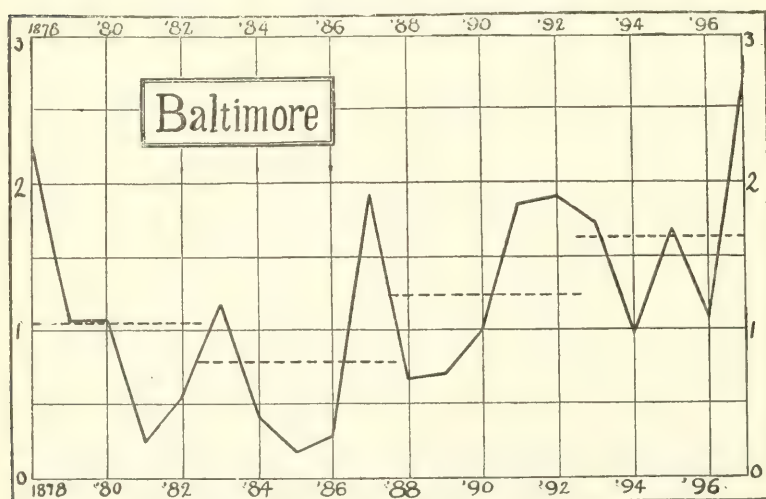
The line showing the amounts borrowed by Boston for the years 1878–1897,<sup>1</sup> fluctuates somewhat less than in the case of New York. Taking the average for five-year periods, we find an arithmetical rather than a geometrical increase, except for the last period, when

<sup>1</sup> Boston, "Report of the City Auditor," 1896–97, p. 211.

several well-known great enterprises, undertaken simultaneously, have caused exceedingly large bond issues. Since 1884, the bonds issued have in no one year fallen below \$1,500,000.

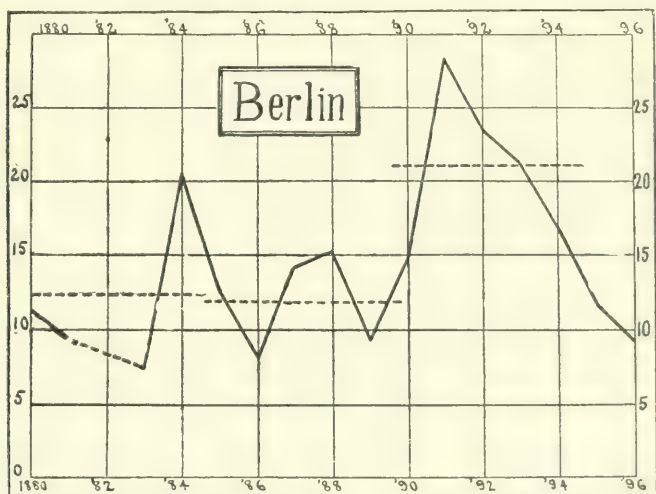
The debt created during twelve of the twenty years has varied in amount from the five-year average by less than 25 per cent., and in sixteen years by less than 50 per cent., the average of all the variations being 29.2 per cent. The highest percentage above the average is 66.1 per cent., the two lowest respectively 92.4 per cent. and 53.5 per cent.

Although the figures for the annual loans of Boston for any one specific purpose are not available for any considerable number of years, the statistics showing the amounts expended for water supply from year to year, including both current and capital outlay, together with those of the gross water debt, seem to indicate that, like New York, Boston has found needs for new investments in its water system recurring with a certain degree of uniformity.



Vertical scale reads in millions of dollars.

The diagram showing the yearly borrowings of Baltimore<sup>1</sup> presents slightly greater fluctuations than in the case of New York or Boston, the minima during all but one of the years from 1881 to 1886 being especially noticeable. Nevertheless, the regularity is sufficient to strengthen our general impression concerning the tendency existing in great cities.



Vertical scale reads in millions of marks.

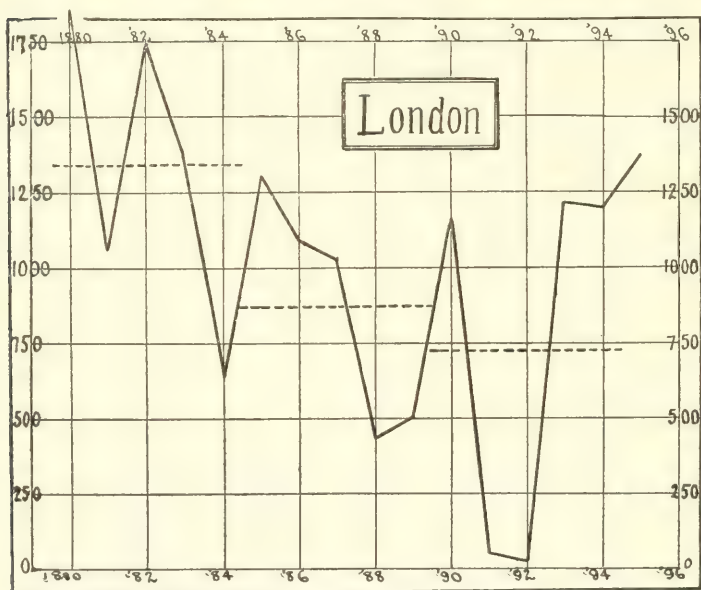
It will be profitable to inquire whether a similar tendency is shown in the sums borrowed by leading European municipalities. Berlin is, perhaps, the best type of the well managed, progressive foreign town. The diagram illustrating her annual expenditures out of borrowed funds shows movements from year to year rather less sharp than even those of Boston.<sup>2</sup> In nine out of the

<sup>1</sup> Compiled from Hollander's "Financial History of Baltimore," pp. 385, 386. The average variation of the annual bond issues from the averages for five-year periods is 49.2 per cent.

<sup>2</sup> Compiled from the annual "Verwaltungsbericht des Magistrats der Stadt Berlin" from year to year.



fifteen years from 1880 to 1894 inclusive, the capital expenditures vary less than 25 per cent. above or below the average for the five-year period in which they stand, and in fourteen less than 50 per cent. from the average. The average of all the percentages of variation is 22.7. Nevertheless Berlin, like other cities, has had her periods of unusual expenditure. The outlay for the five years from 1890 to 1894 stands very considerably above that before.



Vertical scale reads in hundred-thousand pounds sterling.

The diagram showing the amount of debt created annually by the city of London is based only on the figures for the Metropolitan Board of Works and its successor, the County Council.<sup>2</sup> The sphere of activity

<sup>2</sup> "House of Commons Papers, Local Taxation Returns," Summary, 1887, p. xxv, 1897, p. xl.

of these bodies being much more restricted than that of the ordinary city government, we should expect, on the whole, less regularity in expenditure for permanent improvements. Aside from the minima between 1888 and 1892, however, which are perhaps explainable by the transition from the Board of Works to the County Council, there has been a clearly marked tendency toward uniformity in annual borrowings. The average percentage of variation from the five-year averages between 1880 and 1894 was 47.5 per cent.

Both New York and Boston illustrate admirably how numerous are the items of expenditure for permanent improvements which large cities are called upon to make. The comptroller's report of the former city shows no less than 66 separate classes of bonds issued during 1897.<sup>1</sup> Money was borrowed for nearly 20 public buildings of various sorts, aside from numerous school-houses, for almost as many different park and parkway extensions and improvements, and for a large number of street and boulevard enterprises. In Boston for the same year more than 130 different objects are enumerated for which bonds were issued, the items for construction and improvement of buildings and of streets being specially numerous.<sup>2</sup> Of course in both these cities this large number of items is partly explained by a violation on the part of the municipal authorities of the financial canon which prohibits borrowing for essentially current outlay, but after all a very considerable proportion of these many objects of expenditure come pretty strictly under the head of permanent improvements in the sense in which most financial writers and public officials use the term.

<sup>1</sup> New York Comptroller's Report, 1897, Statement B, II.

<sup>2</sup> Boston Auditor's Report, 1897, pp. 169-172.

It will still be urged, however, that, even though such figures as these presented may point toward a rough regularity in the bond issues of great cities during the past twenty years, yet the capital outlay of these years has been abnormally high; that sooner or later in the future most of our municipalities will find the demands for permanent improvements decreasing, if not absolutely, at least relatively to population and especially to wealth. If this shall prove true, it is obviously just that the taxpayers of the years to come should share in the cost of works now being erected, of whose advantages they are to partake.

It is rash to prophesy, but there seems at least a probability that, with certain exceptions, of course, the expenditures of great cities, both for current administration and for enduring works, will not materially decrease for a long time to come, as compared with either population or taxpaying ability. All the influences which have tended in the past to increase the relative needs of cities seem likely to persist in the future.

The increase in city population, at least in the United States, bids fair to continue with a rapidity almost if not quite equal to that of the past fifty years. Prospective increase of population is not ordinarily, as is sometimes supposed, a justification for borrowing in the case of a city already large. Generally speaking, municipal growth increases municipal needs in more than equal proportion. In the first place, it requires a widening of the scope of governmental action. The greater territorial extent of the city, and still more the greater density of its population, makes the citizen less able to satisfy his own wants, more dependent on others. For this reason forms of enterprise which at one time

belong legitimately to private initiative may, a decade or a quarter-century later, be so indispensable to all classes of city-dwellers that public ownership is the only safeguard against oppression. Whatever be the strength of the arguments for municipal ownership of so-called "public utilities" to-day, it will be twice as great twenty years hence. And whatever be their strength now or then, the actual tendency of our municipalities to take a larger and ever larger share in such enterprises is apparent. We have reason to believe that the now common practice of cities in Great Britain and Germany of owning docks, gas, electric and street railway systems, etc., will be increasingly followed in this country; and if so, the constant development demanded in these facilities will call for frequent new capital investments.

Moreover, added population in itself often calls for more than proportionately greater quantity and higher quality of services along lines already universally recognized as within the domain of governmental activity. For instance, streets must be widened to accommodate the growing traffic, and to increase the supply of light and air made specially necessary by the added height of buildings. The expense of such changes in old established streets is enormous. Again, owing to the danger to health from dense aggregation, sewers, parks, sanitary enterprises of all sorts, constantly demand extension and improvement, simply to maintain the existing standard of health without attempting to raise it.

But more important, perhaps, than mere increase of population in calling for new and improved municipal services, are the constantly rising standards of civilization, the steadily widening knowledge and desires of the people, and the ever increasing spirit of solidarity among

them. Rapid as has been the progress in these directions in the past century, we have no reason to believe that the movements of the coming century will be with slower pace. Prophets of the earlier days have seldom overestimated the rapidity of economic and social advance. Already we hear on every hand suggestions of new and wide-reaching municipal enterprises for the public welfare—for transforming the slums, for increasing the convenience, comfort and health of all classes, for educating them in a score of different ways. Without sharing in any manner the Utopian visions of a Bellamy, may we not conservatively enough look forward to a time when city life shall be made far more healthful, convenient and delightful than it is to-day, and that, in no small degree, through the efforts of public authorities, through the action of the great co-operative household of citizens?

If such shall prove the case, this increased activity will require increased outlay, for enduring public works, as well as for current purposes. Each year, each quinquennial period, each decade, each generation, will enjoy the benefit of the works established by its predecessor, but each will, at the same time, have new investments to make to meet its own needs and to hand down to its successor.

If there is any weight in the considerations so far presented, it is scarcely necessary to urge that sound financial policy requires that our great cities pay out of current revenue a much larger proportion of their expenditure for permanent improvements than most of them have been doing. We need, in fact, to ask indulgence for further emphasizing this point.

Borrowing on such a scale as has been common is unjust to future taxpayers. Sometime the reckoning must



come. It will not be possible always to shove before us a continually increasing burden—and that is practically what we are doing, even though we pay all past debts when they become due, if at the same time new debts of larger amount are constantly being incurred. If the likelihood is that each new generation will have new burdens of its own, relatively fully as heavy as those of its predecessor, it should not be asked to bear, not a small part merely, but the greater portion of the cost of previous undertakings.

It goes without saying, moreover, that unnecessary postponement of financial burdens adds to their weight. Interest goes on ceaselessly. If a public improvement be paid for by thirty-year bonds at the lowest rate of interest, 3 per cent., and if these bonds be gradually amortized from the beginning so that the average duration of the debt is only fifteen years, yet the actual total outlay for the improvement is increased almost one-half through interest. In private life the man who borrows largely, or for long periods, for non-profit making expenditures, is considered a spendthrift. Besides, the burden of interest is an immediate one—that at least cannot be shouldered upon the future. New York City in 1897 paid nearly eight and one-half millions for interest on its bonds, and almost as much more was added to the sinking fund for the ultimate redemption of the debt, these two sums together constituting over one-fourth of the total city expenditures.<sup>1</sup> The money spent for these purposes during the years 1892 to 1897 was not far from equalling the new debt incurred in that period of great borrowing. To be continually paying

<sup>1</sup> Compiled from Comptroller's "Report," 1897, p. 44 and Statement G. The net amount of contributions to the sinking fund from all sources is considered as a current payment. This amount varies considerably from year to year.

interest and redeeming old debt with the one hand and continually incurring new debt with the other is poor economy. Indeed, it is a fiction to speak of borrowing as transferring the burden of expenditure largely to the next generation. The taxpayers of to-day will most of them be paying taxes for ten, for twenty years to come, and their taxes will largely go to cover interest on bonds which might have been saved by taxing themselves a little more heavily at the outset.

It has been intimated already that financial writers urge especially the desirability of borrowing to meet the cost of profit-earning enterprises. It may, indeed, readily happen that, when entering upon some great new *quasi-private* undertaking, the city may make an unusually sudden and large capital outlay, clearly calling for bond issues; but where expenditures for such purposes are distributed more or less evenly, there seems no sufficient reason for making a distinction in principle regarding them.

In the first place, the mere object of insuring that such an investment be made to support itself by the sales of its product or service can be almost if not quite as well accomplished by careful book-keeping and public reports as by the segregation of debt charges and revenues. As a matter of fact, the attempt to keep up numerous separate funds of different kinds in our American cities has usually confused rather than aided the taxpayer, and has often broken down. In the second place, the mere fact that the revenues of an enterprise are capable of covering the debt charges is in itself no argument against cash payment for the investment. Receipts in that case will go to reduce taxation—not in the distant future but in the present. A man who has all the capital of his own which he can profitably invest in a revenue-earning

business would be foolish to borrow. It is surely better to have the investment free of burden. Finally, it is to be remembered that a city is justified in furnishing any service only in case it is of exceedingly general usefulness—*quasi*-public in its character. As the city grows and as solidarity of interests and of sentiments increases, more and more will the service tend to become of universal necessity, will the private interest yield to the public interest, and the price and fee principles of payment to the tax principles; less and less will it be fitting to rely upon charges to consumers as the means for paying interest and redeeming the debt incurred in the enterprise.

For the sake of simplicity we have in the preceding discussion passed over with mere casual mention some important modifications in the statements and principles laid down. These must now be more fully developed.

We noticed, in the first place, that, even where the capital expenditures of a city become quite uniform if groups of several years be taken as the units of comparison, there are often sharp fluctuations within these groups. Though it would be possible, often, by taking thought, to decrease these fluctuations somewhat, engineering and other reasons are bound always to cause them to a considerable degree. Such reasons may easily call for two or three times as large payments in one year as in the next. So far as this is true, we must evidently depart from any policy of immediate and full cash payment. The tax-rate cannot be permitted to vary with such suddenness.

Again, we saw that it has happened, even in those cities where the uniformity of capital expenditure has been generally most marked, that during certain periods of years the outlay for permanent improvements has

been materially higher *per capita* than the average for preceding and following periods. Such unusually large expenditures may have been entirely desirable and necessary. There can be little doubt that some of our own great cities are at the present time having to spend more for public works, relatively to population and taxable valuation, than they are likely to need to do during most future periods. Thus in New York the attempt to remedy the neglect of public improvements on the part of a corrupt administration during a long series of years, together with the impetus of a new conception of the possibilities of municipal life and with the new needs growing out of the consolidation of the city, has led to unprecedented capital outlay during the past five or ten years, an outlay likely to continue large for several years to come. So too, Boston, during the past decade, has been growing into closer relation with its suburbs, has been coming to realize its metropolitan character, and has caught a new spirit of progress—influences which have resulted in the undertaking of extensive improvements, scarcely likely to be equalled in relative importance in the municipal annals of some time to come. Both of these cities have, therefore, been justified in borrowing part, though not the whole, of the money necessary to meet these expenditures.

Such periods of unusually active municipal development, of especially heavy outlay, are likely hereafter to occur from time to time in almost every city. What constitutes a period of truly extraordinary expenditure, and what proportion of its burdens may properly be postponed to the future, are questions which cannot, of course, be determined in advance with absolute certainty. The decision as to a course of action which, so far as can be foreseen, is wise and just, calls evidently

for most careful, conscientious and statesmanlike deliberation.

We must, finally, recognize that the existing charges on debts earlier incurred preclude the immediate full adoption of a policy of paying for permanent improvements primarily out of current revenue. To do so would be, not to equalize the burdens of present and future generations, which is the goal to be sought, but to call for double sacrifice from the taxpayers of to-day. The city would evidently have to begin by meeting part only of its capital expenditure by means of regular income, increasing the proportion gradually as the payments on past indebtedness relatively diminished.

In view of the preceding general argument and of its qualifications, the following may perhaps be tentatively outlined as a feasible scheme of payment for permanent municipal improvements in great cities. It is not presumed to be applicable in any considerable degree to small places.

Supposing that the burden of earlier debts has been reduced to a moderate basis, there might be fixed in advance, for a period of say five years, an annual sum to be raised by taxation for the purpose of establishing, extending and rebuilding works of a permanent character. This sum would be determined by a careful consideration of past, present, and probable future circumstances, expenditures and needs regarding such public works. A fair basis often would be the average outlay for permanent investments during the preceding five or the preceding ten years, with a percentage added to cover increase of population; but regard would have to be given to the question whether the outlay for these years had been apparently normal or otherwise. It would not necessarily, of course, be the purpose to raise



the full amount of anticipated expenditures for permanent improvements, if it were fairly believed that such expenditures would be greater than the average. But it would be necessary to guard against the constant temptation to lighten present taxes, especially for the sake of political capital, at the expense of the future. Public officials are apt to be too ready to overestimate the relative weight of present burdens and the relative capacity of the future for burden-bearing.

All money thus raised by taxation would be set aside exclusively for permanent improvements, and not allowed to be used for ordinary administrative purposes. Whenever there was a surplus of income from this source over expenditure, it would be deposited in bank at interest; whenever there was a deficit, money would be borrowed on short-time bonds, to be renewed when necessary. In this way minor fluctuations in the expenditures from year to year would be adjusted. This double method has already been systematically worked out in some of our great cities, for the purpose of establishing an equilibrium between income and outgo within the year itself, and it is also employed in the national finances of certain countries. New York City, for example, borrows immense sums each year on so-called "revenue bonds," which are mostly repaid within a few months out of taxes, small balances being occasionally carried over to another year. The rates of interest necessary to secure such short-term loans are remarkably low, while, on the other hand, by careful and honest management, a reasonable interest can usually be obtained from banks on money held by the city in advance of expenditure.

Finally, if at the end of the period of years any large amount of these short-time obligations remained out-

standing, representing capital expenditures in excess of the total raised by tax, they would be funded by other bonds, having a term of greater or less length, according to the character of the improvements made during the period and the probabilities as to future capital outlay—the matter again calling for careful and conscientious deliberation. Under present conditions, I may add, it does not appear that much attention should be paid, in fixing the duration of bonds, to the preference of investors for long-time securities. The slightly lower rate of interest on a thirty or fifty-year bond is not worth securing at the cost of paying interest twice as long as is necessary or proper, in view of the nature of the investment.

The chief practical difficulty which might arise in the operation of such a system as here proposed, would be the temptation, growing alike out of the dishonesty of officials and the lack of foresight on their part and that of the people as well, to spend wastefully or prematurely any money which might be accumulated in the fund for permanent improvements. Simply because the money was there, the city might be inclined to undertake comparatively unnecessary works, leaving little or nothing to meet more pressing needs which might arise later. But in a municipality with even a moderately intelligent and honest government, there ought to be far less difficulty from this source than was experienced by our national government during the time when its finances showed a constant surplus. In the city, surpluses would not occur repeatedly, year after year, with prospect of indefinite continuance in the future. It would be understood, by people and officials, that a distinct destination was already in view for moneys ac-

cumulated. In fact, were our cities governed by fairly competent and fairly permanent rulers, it would be possible for them to estimate quite definitely in advance the needs of each period of years as a whole, and to know approximately the sums which would be required for the leading improvements contemplated. Such a condition as this has already been reached in Berlin and other European cities where municipal administration has been reduced to a profession.

Professor HOLLANDER : As a statement of fiscal theory there would be little dissent. Yet when we come to make practical application of the theory, a necessary exception becomes so formidable as to question the utility of the theory. In other words, what is to be said in the case of a city groaning under an oppressive tax rate, with an assessed valuation of property to its full value, and yet in urgent need of improvements, such as school buildings, fire departments, street paving, which, from a strictly theoretical point of view, are chargeable to current income. That is the typical condition of the American city, and it seems so conspicuous that it is idle to formulate a fiscal theory in opposition to it, or to say that the cities shall halt in improvements or in the amelioration of the conditions of municipal life, on the score that they should not borrow.

There are at least three circumstances which render increase of municipal indebtedness for necessary municipal improvements less ominous than might be supposed. In the first place we must consider the likelihood of continuous decline in the interest rate of municipal securities. In the second place we can assume in the ordinary city a saner policy of amortization, etc. Finally, a consideration to be borne in mind, most important of all, is

the fact that municipal tax-paying capacity may increase more than proportionally with municipal expenditures.

We should bear in mind the danger of borrowing for current improvements, but we must not formulate an absolute rule to the contrary. The policy should be one of discretion. Borrowing is to be permitted when the need is urgent; it is not to be condemned merely on the ground that it violates the principle of "pay as you go".

Professor SELIGMAN: After listening to the last speaker's remarks, it occurs to me that it would be unfortunate if we were compelled to come to the conclusion that the theory advanced by the essayist was in itself admirable but could not be worked out in practice. That, of course, is a statement to which teachers of economics have grown accustomed. But if a theory is true, it is safe to assume that it can be worked out.

Is there not some way in which we can find a common ground? The one speaker said, we must pay for new expenditures through more taxation. The other speaker said, the theory is beautiful, but you cannot do it because the burden of taxation is already too great. If the theory is true that we ought to pay for those expenses out of current revenues, and if our revenues are insufficient, the thing to do is to reform our methods of revenue. The whole question of municipal income itself is bound up with this question. The practical aim must be to reform our present system of taxation. Then we shall have a revenue adequate to the realization of the theory.

Again, it may be asked: how far are we to accept the demand of Professor Durand on the one hand, and on the other the contention of the last speaker that we should employ this method with discretion? If we accept the principle that there are continually recurring

improvements and that there will be from year to year new schemes of permanent improvement, could not a correct line of distinction be drawn between the inauguration of the new idea and its continuance? The inception expenses could be met by borrowing money ; but then, after the public had become familiarized with the idea of and the need for each new improvement, could not the recurring expenses incident to such improvements be met by taxation? In brief, start the improvements by borrowing money, but provide for the continuance of the expenditure by taxation.



## THE FINANCIERING OF TRUSTS.

BY HON. CHARLES S. FAIRCHILD.

The subject that I have been asked to present—"The Financiering of Trusts"—is one as to which there is, probably, much confusion in the minds of many people. But it is so simple and the process is so obviously the one that must be followed that I am doubtful if I can worthily take any of your time.

The motives and the processes which produce a cheese factory or creamery are much the same as those which produce other business combinations or so called trusts. A, B, C, D, and E own dairy farms; [they become satisfied in some way that they can manufacture and sell butter and cheese at greater advantage if they combine both for manufacture and sale than they can if they continue in the old way on each individual farm.

They may reach this conclusion through the talk of some man who wishes the job of managing the manufactory or by talk among themselves. In the one case there is a promoter; in the other not.

But coming to my immediate subject, owing to the fact that usually the things which we have in mind now are made by the union, under a new corporation, of private concerns and of corporations more or less widely separated geographically, and because there are laws about corporations that must be complied with or evaded, some things are done in their financiering which make apparent differences between them and the familiar cases of which I have spoken. But the difference is more apparent than real, as will appear when both are well understood.

Several manufacturers whose factories are in as many different places come to believe that it is for their advantage to unite their various businesses: they consult as to the value of their respective real estate, tools, machinery and business connections; then they organize a corporation under some state where the laws are suitable for their purpose, providing for a maximum of securities of various kinds, mortgage bonds, preferred and common stock—all or any of these as they may determine—and then sell their properties to the new corporation, taking in payment the securities of the new corporation in such proportions as the value of each property is to the value of all of them.

Or in another case the promoter acts. He goes to each of the manufacturers, obtains an option upon their properties, agreeing to pay for the same, it may be in cash or in the securities of the new corporation, or partly in cash and partly in securities. He organizes his company and agrees to sell the properties upon which he has his options to the new corporation for all the securities that it has issued. He then distributes part of these securities to those who have agreed to take them in payment for their properties, and sells to outsiders—new men—generally called “the public,” another part of the new securities for cash, which is used to pay the money to those manufacturers who have agreed to take money in whole or in part, and also an agreed part of the cash thus realized is kept in the treasury of the new corporation as a working capital to avoid the necessity of selling the paper of the new company, as probably all of the concerns thus combined had been obliged to do before the combination was made. This provision of cash for working capital is also generally made in whatever way the combination

be brought about ; it is certainly always done if good judgment and prudence have been respected in the formation of the combination. In many cases, I think it may be said, that one of the strong inducements which have caused manufacturers to enter into these combinations has been that they might be freed from the worry and peril of constantly raising money on their business paper to carry on a business which was not equipped with sufficient cash capital.

After enough of the securities have been distributed and sold to fulfill the engagements of the promoter, he tries to have a good supply left in his hands to reimburse him for his expenses and pay him for his time and labor. In some instances this pay is said to have been very large. Naturally as to this I have no positive knowledge in any instance, only rumor and gossip. This method of payment is the same as that of the reorganizers of railroad and other concerns ; it is in the nature of a lawyer's contingent fee, dependent upon the success of the undertaking or suit, and is naturally larger than it would be if made in cash.

During the processes which I have described, underwriting syndicates have probably been employed to make sure that a sufficient amount of securities shall be sold to secure the cash needed, and there have been one or more bankers who may have loaned money needed, pending the final launching of the new company and may also have been employed to bring out its securities, *i. e.*, offer them for subscription by the public. Syndicates and bankers must be paid their commissions out of the surplus securities.

Perhaps a concrete illustration may help toward a clearer understanding of just how this part of the financing of these combinations is managed. Let us

assume that the promoter has secured options upon the plants, assets and good will of ten separate manufacturing concerns, for which he is to pay, under the terms of his options, \$3,000,000 in cash and \$6,000,000 in preferred stock and \$4,000,000 in common stock of a new company of \$20,000,000 capital (half preferred stock) to be formed to acquire the entire plants, stock and other assets, good will, etc., of the ten concerns specified, and to have when formed at least \$1,000,000 of working capital. As soon as these options are in this definite shape the promoter goes to some financial house or firm of private bankers for assistance in raising the \$4,000,000 of cash which the plan requires. He presents the facts as to his options and his program and proposes that if they will arrange a syndicate to underwrite or guarantee the purchase of \$4,000,000 of preferred stock and \$4,000,000 common stock for \$4,000,000 in cash he will give them a commission of 5,000 shares of the common stock of the company. The bankers give the entire project careful investigation, usually employing experts and accountants to report upon the facts as to the business and profits of the constituent companies. If the result is satisfactory, the promoter gets a favorable answer and the bankers become the managers of an underwriting syndicate. In carrying out this part of the program they proceed to lay the matter before the individuals or companies to whom they desire to offer an interest in the marketing of the stock. This is naturally done by submitting copies of a syndicate agreement reciting that the subscribers agree to purchase at par the number of shares of preferred stock set opposite their respective names, receiving as a bonus an equal amount of common stock—but the whole conditioned upon there being an aggregate subscription

equal to the \$4,000,000 to be raised. If this amount is oversubscribed some subscriptions are either thrown out or cut down. If it is not subscribed the project has to be abandoned or modified. In some cases the desired end is sought by a public announcement of the terms on which subscriptions will be received.

If the entire \$4,000,000 is subscribed the next step is to require the payment of the subscriptions allotted. This gives the syndicate managers the \$4,000,000 cash which the plan requires. The new company is then incorporated with an authorized capital of \$10,000,000 preferred and \$10,000,000 common stock, of which perhaps \$5,000 of the common stock is paid up at once; and on this the company begins business with a regular board of directors. The stockholders owning this first \$5,000 of stock (50 shares) then vote to authorize the increase of the capital to the amount fixed in the certificate of incorporation and approve the issue of all the additional stock in a block to John Doe, the promoter, in exchange for the various plants, assets, etc., and the \$1,000,000 cash which the new company was to acquire. Then by simultaneous transactions John Doe gets the \$10,000,000 preferred stock and \$9,995,000 common stock; of this \$6,000,000 of the preferred and \$4,000,000 of the common stock is passed on to the owners of the original companies; \$4,000,000 of each is passed to the syndicate, whereupon it turns over to John Doe the \$4,000,000 of cash, which he in turn uses to pay the cash required by the options and that which is to go into the treasury of the new company; at the same time the titles to the various properties are passed to the new company. John Doe then finds himself—after turning over to the banking house which formed the syndicate the 5,000 shares of common stock agreed



upon as commission for their services—the possessor of 14,950 shares of common stock, of the par value of \$1,495,000.

In planning the details of the various consolidations there has been great diversity. In some cases there has been only a single kind of stock—common stock. Such, for example, are the Standard Oil Co. and the Amalgamated Copper Co.—both among the largest of the so-called trusts. In most cases, however, there have been two kinds of stock, preferred and common—frequently evenly divided in amount between the two. When put out to the public through a syndicate, the preferred stock has usually been offered at par with a bonus of an equal amount, or 60 per cent., 75 per cent., or 80 per cent., in common stock. In the terms on which the preferred stock is issued, there is equal diversity. So far as one can generalize, it might perhaps be said that the most general plan has been to issue a 6 per cent. or 7 per cent. preferred stock, preferred not only as to dividend named, but as to assets as well. In some cases the position of the preferred stock has been made exceptionally strong. Take, for example, the preferred stock of the Royal Baking Powder Co. which, under the plan there followed, is allowed no voting power or representation in the management so long as the quarterly dividends of 6 per cent. per annum are regularly and promptly paid. But if there should be a default in the payment of that dividend, the entire voting power and management pass from the common to the preferred stockholders. This provision thus leaves the preferred stockholders in much the same position as if their interest was represented by bonds—but without the difficulty, expense and delay of foreclosure in case of default in payment of interest.

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In the most of the recent consolidations there has been included no bonded debt. This I believe to be wise, inasmuch as it leaves the company with no fixed charges and thus in a much stronger position in a period of depression than it would occupy if it were obliged to meet the interest on a large amount of bonds. Because of this infrequent use of bonds in the consolidations which have been made in the industrial field, the first long continued period of depression will not produce the abundant crop of reorganizations that has in the past attended depression in the railroad field.

In the issue of common and preferred stocks in the capitalization of the corporations we are considering, an attempt has frequently been made to limit the preferred stock to the value of the actual tangible assets turned over to the new company, real estate, plants, tools, machinery, stocks of goods, working capital, etc., leaving the common stock to cover the value of the "goodwill," expected earnings, expenses of promotion, etc. This brings up a question which is of much importance to those who invest in the new company's stock, viz. "In what manner has the value of this 'goodwill' been estimated in fixing a price upon the various constituent companies?" Nearly every proposition for a consolidation has been accompanied by the results of a careful investigation into the net earnings of the constituent companies for a number of years past. These earnings augmented, perhaps, by an estimate of the economies to be effected by the consolidation of the various enterprises form the basis of the estimated net earnings of the new company. Care is then taken that the capital stock is not made so large that the estimated earnings will not afford the dividend upon the preferred stock and a substantial dividend upon the common stock.

In some cases the value of the goodwill acquired has been very carefully estimated. For example, the promoters of one company made a special point of the conservative methods employed in arriving at the value of the goodwill of the companies which were consolidated. According to their statement, the new company was virtually buying the real estate, plants, stock, etc., on the basis of appraised cash value. In addition an allowance was made for goodwill, calculated upon this basis; from the net profits of each company deduct 7 per cent. upon the capital actually employed,  $1\frac{1}{2}$  per cent. upon sales, which were about three times the capital, 2 per cent. for depreciation on brick buildings, 4 per cent. on frame buildings, and 8 per cent. on machinery. If the average net earnings were in excess of all this, and in this case it appeared from the promotor's statement that they usually were, the excess was capitalized as "goodwill" on the basis of 20 per cent. per annum, *i. e.*, the value of the goodwill was estimated to be five times the amount of such earnings in excess of 7 per cent. on capital and allowance for depreciation.

In some cases, however, there has not even been a pretext that the capitalization was based upon a careful investigation of the actual earnings of the constituent companies. I have in mind a certain consolidation which it was desired to effect. The promoters and the brokers who attempted to bring it out, however, in their prospectuses carefully avoided the subject of actual net earnings of the constituent companies, but based the estimate of earnings of the new company upon nothing more reliable than the quantity of product annually turned out and an estimate that the selling price had been and would be about twice the cost of producing the article. It is hardly to be

wondered at that the project was not sufficiently attractive to enlist the necessary investment support.

Many of these large industrial corporations have been formed to purchase, not the actual plants and assets, but the whole or a large part of the stock of the constituent companies. This stock even when the whole is owned by the new corporation, is then kept alive and constitutes the formal assets of the new company.

I might describe all the steps taken in the formation of the corporation were there time ; but it is only what is done in the formation of a corporation for any purpose, and, while interesting, does not belong especially to this subject.

I have a table of the kinds and amounts of the securities used by some of the more important of the 200 or 300 corporations of this nature that have been formed within the past few years ; but there is not time, nor would it be worth while, to read them now. They will be attached hereto, however, as an appendix.

All this that I have described which is in excess of what is done in the formation of the cheese manufacturing combination is rendered necessary either by the state laws governing corporations or by the need of raising cash capital, or to enable the constituent members of the corporation to conveniently collect their profits from the combined business in proper proportions and to have a representation of their interests therein which is divided in such form as to enable portions of it to be sold or transmitted to heirs, etc., etc.

In substance, however, there is no difference. The milk delivered morning and evening during the year is each farmer's contribution to the combination ; his interest in the whole varies according to both quality and quantity of milk, just as in the other combinations

the interests vary according to the quality and quantity of property and goodwill or business contributed by each. Just as a creamery will be successful as it is well or badly managed, or as is the market for its products, so in like proportion will any other business combination succeed, and for like causes.

The larger combinations, however, through their securities affect financial matters generally to a greater or less extent as they come into the stock market and into the field of investment and speculation. Naturally the uncertainty as to amount and regularity of profits attendant upon one of these enterprises while it is new will make its securities a fruitful object of speculation. Time and experience will sift them and cause each one to take its proper place in the share list. All other business securities, be they railroad, telegraph, bank stocks or what not, have and must go through a like sifting and settling process and their values are and will be constantly changing. Some of the other industrials, as they are called, have come to be as regular in their dividends and as stable in price as the best railroad stocks, and some of them are much more removed from the speculative field.

As to the effect upon the money market of these new securities, it is hard to say. It must be remembered that the great bulk of them are in the hands of the owners of the original constituent properties. It must also be remembered that the cash capital provided upon the formation of the new corporation has taken from the money market a large amount of industrial commercial paper; in its place is the borrowing upon the securities of the new corporations. As to what proportion the one bears to the other, there are no data to be had. At a venture, however, I would say that there is



little, if any, more money loaned now upon the shares of new industrial combinations than there would be now loaned upon the business paper of the constituent concerns had the combinations not been formed. Of course I say this bearing in mind the demand for money accommodation that would have been caused by the present business and manufacturing activity. Probably the places where the loans are made have been changed. More comes upon New York and the business centres, and less upon the banks in the places where the separate factories are. This may partially account for the greater money pressure in New York with comparative ease in the interior. All of this will, however, soon adjust itself by the aid of the rapid communication given by railroads and telegraphs and the business world will move on with certainly no more rapid changes up and down in the future than in the past. In the meantime prudence and judgment must be used that the unworthy may not have undue opportunities and also that the worthy may not be unduly repressed. A great help and safeguard would be some well devised plan of publicity as to corporate earnings and expenses. Such plan would serve the financial and general business public and at the same time would be a great assistance to the solid and well conducted business combination.

## APPENDIX.

## CAPITALIZATION OF SOME OF THE MORE IMPORTANT INDUSTRIAL "TRUSTS."

	Common Stock.	PREFERRED STOCK.		BONDS.
		Amount.	Character.	
<i>Common Stock only :</i>				
Amalgamated Copper Co. ....	\$75,000,000	-----	-----	-----
Diamond Match Co. ....	15,000,000	-----	-----	-----
Standard Oil Company of N. J. ....	100,000,000	-----	-----	-----
<i>Preferred and Common Stock :</i>				
American Agricultural Chemical Co. ....	16,500,000	\$16,500,000	6 C. A.	-----
American Beet Sugar Co. ....	15,000,000	4,000,000	6 NC.	-----
American Brick Co. ....	7,500,000	7,500,000	7 NC.	-----
American Bridge Co. ....	34,500,000	23,000,000	7 C. A.	-----
American Car and Foundry Co. ....	29,090,000	29,090,000	7 NC. A.	-----
American Chiclet Co. (chewing gum) ....	6,000,000	3,000,000	6 C.	-----
American Ice Co. ....	22,939,100	12,440,400	6 C.	-----
American Linseed Oil Co. ....	15,475,000	15,475,000	7 NC.	-----
American Mailing Co. ....	14,500,000	14,440,000	7 C.	-----
American Radiator Co. ....	5,000,000	3,000,000	7 C.	-----
American Smelting and Refining Co. ....	27,400,000	27,400,000	7 C.	-----
American Steel Hoop Co. ....	19,000,000	14,000,000	7 C. A.	-----
American Steel and Wire Co. ....	50,000,000	40,000,000	7 C.	-----
American Sugar Refining Co. ....	36,968,000	36,968,000	7 C.	-----
American Tin Plate Co. ....	28,000,000	18,000,000	7 C.	-----
American Tobacco Co. ....	54,500,000	14,000,000	8 NC. A.	-----
American Window Glass Co. ....	13,000,000	4,000,000	7 C.	-----
American Woolen Co. ....	29,501,100	20,000,000	7 C.	-----

	Common Stock.		PREFERRED STOCK.		Character.	BONDS.	
	Amount.	Rate.	Amount.	Rate.		Amount.	Rate.
Continental Tobacco Co. ....	\$48,846,100		\$48,844,600	7	NC. A.		
Distilling Company of America ..	46,250,000		31,250,000	7	C.		
General Chemical Company ..	12,500,000		12,500,000	6	C.		
Glucose Sugar Refining Co. ....	24,027,300		12,619,300	7	C.		
Havana Commercial Co. ....	10,000,000		6,000,000	7	C.		
International Car Wheel Co. ....	3,225,000		1,775,000	7	CA.		
International Power Co. ....	7,400,000		600,000	3	C.		
International Steam Pump Co. ....	15,000,000		8,850,000	6	C.		
National Biscuit Co. ....	29,200,000		23,200,000	7	C.		
National Lead Co. ....	14,995,400		14,904,000	7	C.		
National Salt Co. ....	3,500,000		2,400,000	7	NC.		
National Steel Co. ....	32,000,000		27,000,000	7	C. A.		
National Tube Co. ....	40,000,000		40,000,000	7	C.		
National Wall Paper Co. ....	27,931,500		7,500,000	8	Debenture Stock.		
Otis Elevator Co. ....	6,000,000		4,000,000	6	NC.		
Republic Iron and Steel Co. ....	27,352,000		20,852,000	7	CA.		
Royal Baking Powder Co. ....	10,000,000		10,000,000	6	CA.		
Rubber Goods Manufacturing Co. ....	12,114,900		6,336,900	7	C.		
Union Bag and Paper Co. ....	16,000,000		11,000,000	7	CA.		
Union Typewriter Co. ....	10,000,000		(1st) 4,000,000	7	C.		
			(2d) 4,015,000	8	C.		
United Shoe Machinery Co. ....	8,660,725		8,657,700	6	C.		
United States Rubber Co. ....	23,666,000		23,525,500	8	NC. A.		
<i>Stock and Bonds:</i>							
American Bicycle Co. ....	20,000,000		10,000,000	7	C.	10,000,000	5
American Cotton Oil Co. ....	20,237,000		10,198,600	6	NC.	3,068,000	5
American Hide and Leather Co. ....	11,500,000		13,000,000	7	CA.	8,445,000	6
American Writing Paper Co. ....	\$ 9,500,000		\$12,500,000	7	CA.	17,000,000	5
American Thread Co. ....	6,000,000		6,000,000	5		6,000,000	4

	Common Stock.	PREFERRED STOCK.		Character.	BONDS.	
		Amount.	Rate.		Amount	Rate.
Asphalt Company of America.....	30,000,000	-----	---	---	30,000,000	5
Central Foundry Co. ....	7,000,000	7,000,000	7	C.	4,000,000	6
Federal Steel Co. ....	46,484,300	53,261,000	6	NC. A.	28,334,000	5
International Paper Co. ....	17,442,800	22,406,700	6	C.	8,782,000	6
International Silver Co. ....	9,946,000	5,111,500	7	C.	3,592,000	6
Mt. Vernon—Woodbury Cotton Duck Co. ....	9,500,000	-----	---	---	7,000,000	6
National Starch Manufacturing Co. ....	4,450,700	(1st) 2,219,400	8	CA.	6,000,000 Inc.	5
		(2d) 1,846,800	12	CA.	3,042,000	6
New England Cotton Yarn Co. ....	5,000,000	5,000,000	7	CA.	5,700,000	5
Standard Rope and Twine Co. ....	12,000,000	-----	---	---	2,878,000	6
United States Envelope Co. ....	750,000	3,750,000	7	C.	7,500,000 Inc.	5
United States Flour Milling Co. ....	3,500,000	5,000,000	6	C.	2,000,000	6
United States Leather Co. ....	62,854,600	62,254,600	8	C.	7,500,000	6
					5,280,000	6

C = Cumulative.

NC = Non-cumulative.

A = Preferred as to assets as well as dividends.  
Inc = Income bonds.

## INFLUENCE OF THE TRUST IN THE DEVELOPMENT OF UNDERTAKING GENIUS.

BY PROFESSOR SIDNEY SHERWOOD.

In a previous article <sup>1</sup> I attempted to show how organization on a larger scale and of a more complex character was becoming more and more the necessary condition of successful enterprise. The effective anticipation of wants in a more remote future, which is a characteristic of present day civilization, calls for such an arrangement of the productive forces that the process of production shall go steadily forward turning out each year the desired stream of specific goods. But this future demand, while more clearly foreseen than formerly, is yet subject to change and hence the producer's plans must have a considerable amount of elasticity. A large premium is thus placed upon foresight in the anticipation of demand and in preparation to meet that demand.

Again, the area of demand and supply has been widely extended. The market has grown world-wide. This is due in part to cheap and rapid transportation, in part to better knowledge by different nations of each other, in part to the extension of foreign trade, in part to that modern tendency to empire-building which has brought wider areas under a community of law and administration. These facts have placed a high premium on broad and deep intelligence in the entrepreneur. He must know the larger market—what its demands are and what are its sources of supply. He must

<sup>1</sup> "The Function of the Undertaker," *Yale Review*, November, 1897.



possess also the ability to take broad views of the plans necessary to bring together this demand and supply. He must be a constructive statesman in industry, capable of forming large and far-reaching policies.

In the third place, the further development of the "division of labor" has increased greatly the technical difficulty of undertaking. The undertaker must be a great engineer in economic matters, understanding how to utilize to the best advantage the highly developed skill of the laborer, the complex adjustment of the machinery and how to combine the two.

Finally, the vast accumulation of modern capital, with the necessity of using large capital in these productive processes, make it essential for the modern entrepreneur to be a great financier. He must know how to get the requisite capital under his control upon advantageous terms, how to manage it economically and successfully, how to meet the payments of interest, how to avoid carrying unnecessary capital, how to preserve the confidence of the investor.

Successful industry thus requires as never before genius in organization. Right organization is the factor in production which is of overshadowing importance. Labor and capital alike have come into a relation of actual dependence on undertaking ability. Mill's famous dictum that "industry is limited by capital" has relatively lost its significance and should be replaced by another, "industry is limited by the organizing ability of the undertaker".

In spite of the higher standard of living to-day, there is practically no limit to the creation of capital. The limit to industry involved in scarcity of labor is likewise relatively remote because modern machinery and modern specialization have rendered labor many-

fold more efficient. It is in the scarcity of competent industrial leadership that is to be found the effective limit to the growth of industry. The *costly* wastes of our modern system are the wastes of misdirected production. The frequency and stubborn vitality of our latter day industrial depressions can be blamed only upon the lack of broad intelligence and sound judgment in the modern undertaker. The *little* undertaker, in possession of large capital and vast industrial opportunity, is the curse of the present system. He plunges blindly into wrong lines of production, or he pushes his operations beyond the limits which real foresight would have enabled him to see. In his ruin he involves not only his own capitalists and laborers, but other productive organizations as well, and he shocks the confidence of investors generally, so that recovery from depression is excessively slow.

The real function of the trust is to get rid of the weak entrepreneur. It is the natural and spontaneous effort of a progressive industrial organization to get undertaking genius at its head which has produced the trust. The formation of trusts is a process of natural selection of the very highest order.

Where competition is still active, the success of an industry depends on its control by an undertaker great in the qualities I have named; in mercantile foresight, in statesmanlike ability to form the broad policies required by the actual conditions of the world-market, in the technical skill necessary for the nice adjustment of highly specialized machinery and labor, in the financiering of vast capital. A mistake by him in the performance of any one of these four functions may mean, if not immediate disaster, at least inferiority to his rival. Continued success here is in the hands of the greatest

leader. But this strenuous competition, this war to the death, while it pushes to the front the leader most capable, at the same time tends to consolidation. The fierceness of the competition, enhancing the wastes of production, compels the competitors to some form of combination and in this combination the control naturally passes to the strongest and most capable of the leaders.

This is the selective process which was characteristic of the change from the individual to the corporate form of industrial organization. The gains which were possible under production on a large scale could be realized only so far as competent leadership of the large operations was developed and in this school of experience the leaders were trained for the still higher work required. It is in the rivalry between combinations that the supreme effect of this process is seen. Having, as the head of a corporation, learned, as it were, to command a brigade, the great entrepreneur develops the fitness to command a division or an army corps.

The strength of the trust is that it gives the opportunity for the exercise of these highest qualities of industrial leadership. The process of forming the trust tends to put the ablest of the great undertakers at its head. For if not, then the really more capable man is not apt to remain quiescent, but breaks away to become a formidable rival again, a rivalry which at last generally results in the supremacy of the stronger. In other words the persistence of the trust is dependent upon its securing and retaining the highest leadership. Monopoly of a machine will not long secure the trust, for a new machine is likely to be invented; monopoly of franchise will not do it, for such a monopoly may be broken. The monopoly upon which the permanency of

trusts must chiefly rest is the monopoly of undertaking ability, a monopoly in its nature temporary and the result of a competitive process.

The test of the leader's ability will be found, in the last analysis, in benefits rendered to the community, *i. e.*, in the securing of the greatest economics in production. Benefits to the community are not synonymous necessarily, as Adam Smith would have us believe, with low prices to consumers. The great body of laborers who want high wages protest against that doctrine, as do the investors of capital. Consumers of any product must be willing to let live as well as to live. Sufficient inducement must be allowed to prudent people to make it worth their while to create new capital, laborers must be induced to acquire skill and sterling character. In other words the successful management of legitimate industry means adequate wages and dividends, no less than lowered prices to consumers. It is the ability to maintain the proper balance between these three forces which will decide the ultimate fate of the trust as a form of industrial organization. The failure to do this inevitably lures new competition. In other words the monopoly is temporary.

[<sup>1</sup> A rapid historical survey will show the part which temporary monopoly has played in stimulating competition to progressive effort.

With a people naturally inclined to individual initiative the necessary condition of improvements in production is the prospect of large gain to the inventors of the improvements. With early agriculture, where natural opportunities were large and small capital was required, competition served to bring out the invention of better processes only as such competition was stimu-

<sup>1</sup> The portion bracketed, pp. 167-173, was not read at the meeting.

lated by the monopoly of private property in the land. This monopoly was a legal one, created by the community to tempt progressive competition. When the gain from this monopoly tended through social growth to become permanent and an obstacle to further progress, a new motive to progress was found in commerce. The active competitive process there soon brought gains overshadowing the gains from land ownership, now grown passive, and Europe changed from a feudal to a commercial economy. But this new competition was made effective only through the monopoly of the merchant guilds and monopolistic trading or colonial concessions. The rising manufactures were likewise built upon the monopolistic aid of the craft-guilds.

The "Industrial Revolution" marks the next radical change and the chief condition of progress became the invention of better machines. The highest competitive activity was secured by patents. The principle of the patent is that a temporary monopoly tempts competition in invention by securing extraordinary gains to the inventor. But these gains are only a small fraction of the gains secured by the community.

The factory, brought about by the new machinery, was due partly to the monopolistic element of the patent law and partly to a certain tendency to monopoly in the necessity for large capital under single management—a result reached largely by the extension of the corporate form of organization. The old guild system was swept away, having become obstructive to progress, and was replaced by the factory system which broadened and intensified competition, although itself resting on certain elements of monopoly. Superinduced upon this change, before the new movement had worked itself fully out, came the revolution in transportation due to



the steam-engine. In stimulating this progress, monopoly again played its rôle. The patent, the special franchise more or less exclusive, the government subsidy were all made use of to tempt competitors into the field.

These processes—factory production and commerce organized upon the new system of transportation—have been working themselves out during our century. Everywhere competition has been made broader and deeper and everywhere this has been accomplished by the luring of enterprise through temporarily monopolistic gains.

Competition can be a benefit to society only when the competitor is so far secure in his possession of the gains resulting from his efforts that he is stimulated to the struggle. So much of egoism is in us still. Where individual control of land, of a trade route, of market rights in a town, of a right of way for a railroad, of ownership in a machine, or of the right to concentrate sufficient capital for efficient production is necessary in order to bring out the full productive energy of individuals, society does well to secure to individuals that measure of such rights which will bring out this energy. Competition which allows the trespasser to oust the land owner, the burglar to rob the merchant, the commercial pirate to infringe on patent rights, or the fraudulent promoter to buy legislative concessions to wreck a well established railroad is destructive competition, is in fact anarchy and obstructive of progress. Monopoly, up to the point where it tends to prevent improvement, is a stimulus to true competition. It tends to destroy wasteful competition and to promote well-planned and responsible competition. During the last half century it has become increasingly true that

organization on large lines is the essential of efficient production. This means concentration of large capitals and the highest ability in the management of productive concerns. It is not universally true but it is undeniably true in the majority of enterprises. Following this tendency, more and more the disposable capital of the community and of the world has become concentrated. The movement in banking organization has been in the direction of concentration—either legal consolidation or concentration of actual business operations. If law does not permit of formal legal consolidation, business consolidates itself, as the Clearing House system of this country illustrates. For the right conduct of enterprise, under these conditions, a selective process is needed which will put in control of productive opportunity the men of genius. The trust furnishes such a selective process. The trust is successful so far as it succeeds in getting such men in control. This is not antagonistic to competition, it is a competitive process of the most notable sort. It preserves and stimulates the most active competition at the point in the productive organization where progress can result. It is the most powerful stimulus to call out the best energies of the able industrial leaders under conditions where industrial leadership is the most important factor in production. It is the climax of a long historical process which has pushed the individualistic peoples to the front in the world's industrial supremacy. The least that we should do in aid of this development is to allow free opportunity for combination—so long as the methods of combination are fair, clean and honorable. So far as the monopoly of machinery is concerned, our patent laws secure temporary monopoly to the combination owning the particular machine and at the same

time tempt the competition of better machines. As to the monopoly involved in the necessity for the possession of vast capital by productive combinations, the problem is to safeguard the investor by securing in our banking and investment agencies able management and honest dealing. If this were done, ample competitive capital would be forthcoming as rapidly as needed. If this were done, freedom of combination would be the best safeguard to the investor, for it would aid the ablest industrial leaders to secure control of all the capital they needed to extend their business to the most advantageous limit.

There is another element of monopoly—that inherent in the growing relative limitation of industrial opportunity as society becomes more compact. As population within a given area increases, the line of economic progress is toward relatively fewer distributing agencies, relatively fewer manufacturing concerns, relatively fewer transportation systems. There is here an element of permanent monopoly which requires control by the government in the interest of the community. This control is to be effected either by some system for government supervision, by government regulation of price or by the taxing of a part of the profits into the public treasury.

History has shown over and over again the social gain resulting from temporary monopoly in stimulating competitive improvement by appealing to the speculative instinct of able individuals. The temporary monopoly involved in the trust is the newest instance and it calls out the intensest competition among able entrepreneurs for the mastery of business, a mastery resting upon superior organization. There is, then, no need to restrict the temporary monopolies involved in the trust.

As to the tendency to permanent monopoly discoverable in some lines of business, our experience furnishes us with two types of government regulation which have proved fairly successful and either of which may be applied, with some changes, to combinations—the bureau of the Comptroller of the Currency and the Interstate Commerce Commission. Both in banking and in railroading the growth of business has been steadily toward concentration. The banking laws have prevented consolidation of banks doing business over wide areas. The banks, through the Clearing House and their system of correspondents have actually concentrated the banking business. This federative system of banking consolidation is in accord with our political ideals and is working itself out satisfactorily. The government inspects the business and requires publicity. In spite of all the criticisms urged against the conduct of the Comptroller's office, it must be conceded that on the whole his work has been well done and that the advantages of free and honest competition in banking have been secured to a reasonable degree, without preventing necessary consolidation. A possible method of dealing with the trusts might be modelled upon the National banking system. Combinations local in character could safely be left to local law and regulation. Combinations which in their operations affected the business of several states or of the whole country might be brought under a general federal law, upon the plan of the National Bank Act. Within the general limits of the law there should be freedom in the formation of local competing corporations and freedom in the formation of federative agreements between these concerns, and even in actual consolidation. A Department of Commerce and Manufactures at Washington, needed also for other

reasons, might be created, charged with the duty of regulating the incorporation of these concerns, of inspecting their operations, of requiring reports and publishing the facts. It is believed that such action would meet the requirements of the case with reasonable success. Ultimately it might be advisable to lay special taxes upon the profits if the power of the combinations became oppressive.

The failures of the Interstate Commerce Law have been due to two chief causes. The law did not recognize the fact that consolidation is an inevitable tendency in railroad transportation and has been attempting the impossible in trying to suppress it. Secondly, the Interstate Commerce Commission is a semi-judicial body and has aroused the jealousy of the United States Supreme Court, which has gradually stripped it of the powers which it was intended to exercise. Even so, however, it has accomplished much, largely through the publicity which it has required of the railroads, to secure uniformity, fairness, and honesty in railroad business dealings. If the law, instead of prohibiting pooling, had charged the Commission with the duty of regulating pooling, much more might have been done to secure to the public the benefits of the monopoly inherent in the business. An extension of the scope of the Commission to include supervision of mercantile and industrial concerns doing an interstate business, would, if wisely planned and patiently carried out, furnish a workable solution of the trust problem.]

The fundamental superiority of the trust is that it widens the opportunity to effect the economies essential to progress and tends to develop the ability to do this on the part of the managers of enterprises. Much of the hostility to combination is due to a mistaken view of



the true economic function of the trust. The managers of the trusts, that inner ring of control, who receive the unreasoning condemnation of the mass of the people, are in reality inventors of superior processes of production, and as such deserve special recognition no less than the patentees of new mechanical inventions. If they cannot secure reasonable returns for the benefits they confer upon the rest of the community they will not be stimulated to work out productive economies. A wise policy would not force them to illegitimate and dishonorable methods of securing their just rewards.

This suggests the most sinister side to this development, the prevalence of oppressive and even fraudulent practices by the trusts and their corruptive influence in our political life. There is good reason, however, based upon historical evidence, for the belief that these evils are not inherent in the nature of the trust but are simply incidental to the changes involved in their formation. All pioneer work has a large element of roughness, violence and disorder. Take a specific instance—the period of great railroad development in this country a generation ago. In that rapid and bewildering transformation of our transportation system with its immense opportunities for speculative gains, practices were common in the violent and fraudulent conduct of corporate elections, in the debauchery of our legislators and even judiciary, in the defiance of law and public order which have earned an unenviable fame for the unscrupulous ability of our railroad promoters. But enlightened public opinion is far severer to-day in its condemnation of those practices than it was a generation ago, and the management of those roads to-day is relatively conservative, respectable and promotive of the general good.

We need not condone the immoralities of our railroad

management. We can recognize, however, even among such a high-toned body of men as our college professors a certain prevalence of methods for securing appointments, promotions and other advantages, which belong rather to political intriguers than to lovers of science. We should recognize further the essential injustice of expecting a higher sense of honor among business rivals than among the members of this profession. But the important fact is that business interests as well as a progressive public conscience have worked toward improvement. This improvement has been marked in the development of our railroad enterprise. We may fairly expect the same improvement in the great industrial combinations as they settle into permanent organizations.

There is a peculiar significance in the fact that while combination is old, trusts are new and are especially the product of the new world. The reason is not far to seek. It is to be found in special conditions existing in America since European settlement here. Throughout our whole history there have existed here scarcity of labor, scarcity of capital and a population ambitious for a high standard of living. Satisfaction of these ambitions was obtainable only through a higher industrial intelligence. Our economic conditions placed a large premium on inventiveness and organizing skill. We have succeeded in applying machinery in production to an extent and with results not equalled elsewhere. Skillful organization has been developed in no less a degree. In fact the use of machinery on a large scale presupposes and requires a higher order of organizing ability. Our industrial leaders developed early in versatility, in acuteness, in the mastery of the practical expedients necessary to success. The qualities of the

American entrepreneur were the result of a long process of natural evolution. All that was wanted was scope for his energies. This opportunity was afforded by the industrial revolution and the superiority of the American undertaker first showed itself in the development of the new means of transportation—the railroad system. In boldness and largeness of plan, in rapidity and success of achievement, the American railroad undertaker has led the world. The newest opportunity was that afforded by that extension of the possibilities of commercial and industrial organization which is summed up in the phrase—the world-market. The enlargement of the market makes a higher type of organization a necessity. The trust is the American solution of this problem. Its effectiveness is already becoming recognized abroad—recognized not only by observers but also by imitators. The wider the market, the more economies can be effected by organization, a principle already grasped by Adam Smith. It is upon this historic superiority in the capacity for organization that the future economic supremacy of America must rest. Protection is not the cause of trusts; it is at the most only an incidental aid to their early formation. Their destruction would probably be the death blow to our hopes for industrial leadership in the international struggle for future mastery. They are the most effective agencies yet devised for preventing the wastes of competitive production. What is needed is an enlightened public appreciation of the possibilities for good which they offer and the limitation of their possibilities for evil through calm and wise governmental regulation.<sup>1</sup>

<sup>1</sup> For permission to publish Professor Sherwood's paper the American Economic Association is indebted to the editors of *The Yale Review*, to whom it had been promised before the Council of the Association directed the publication of all the papers read at the Twelfth Annual Meeting.

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## SOME TENDENCIES IN COMBINATIONS WHICH MAY BECOME DANGEROUS.

BY JAMES B. DILL, ESQ.

I. There is quite as much danger to-day to the public from the tendency on the part of some to indulge in unreasonable denunciations and to attempt hysterical and unwise legislation against corporate capital as there is of real peril from the corporations themselves.

II. Against whatever evil is threatening or existing from the corporate evolution of to-day, there is but one infallible safeguard, and that is, an enlightened public opinion, framed upon a clear understanding of the whole situation and based upon an honest desire to do what is right.

*Definition of Topic.*—We are, in the first place, dealing with tendencies only, discussing the probable drift of affairs, dealing with dangers perhaps to be apprehended, although not to-day in existence. These so-called tendencies are to be found only in some of the recent combinations, most emphatically not in all, and by no means in the majority of the aggregations of capital in corporate form. We are dealing largely with isolated symptoms in the case of the few, and not in the makeup of the average or the many. In the next place, one must bear in mind that the danger is not to the public alone. Any dangerous tendency imperils not only the public at large but threatens as well all corporations of integrity. The question before us can, therefore, be discussed with the same degree of earnest inquiry and quite as fully from the corporate standpoint as from the point of public inquiry.

One may go a step farther and add that corporate capital of integrity to-day is as desirous of having a proper line of demarkation drawn between the corporation of integrity and those companies otherwise situated, as is the public at large. This largely as a means of self-preservation. To-day corporations strong in the integrity of their finances, their management and the personnel of their officers, demand some line of demarkation between themselves and other corporations "differently situated" in order that the public may recognize the corporate proposition that "there are corporations and corporations."

It is in view of this fact that the corporation man of to-day, whose sympathies and interests are with, whose holdings are in corporations of integrity, unites with the economist in demanding that the corporation problem shall be worked upon the public blackboard and in plain sight, and insisting that the corporation problem shall be in no part represented by the unknown quantity "X."

Heretofore the attitude of some of the corporation mathematicians has been to write the denominator in large and expansive numbers until the difference between \$5,000,000 and \$20,000,000 has become a difference without a distinction, until the average mind of the average man has failed to grasp the importance of numerical addition and subtraction. Assuming that the denominator of the fraction means the capital stock, so long as the corporate mathematician failed to put upon the public blackboard the numerator indicating the assets of the company, there was no proposition from which the public could deduce any known and certain results. Corporations strong in the integrity of their organization, their management and their financiers are



to-day *forced* by their surroundings, compelled by pressure of business competition and obliged by the force of a growing and enlightened public opinion to draw a line of clear demarkation between themselves and other corporations differently situated—those who cannot stand the test.

The time was when the legal existence of a corporation with a capital of \$50,000,000, carried with it distinction, weight and a degree of public confidence. But to-day a corporation of millions of capital (the difference between \$50,000,000 and \$100,000,000 being scarcely a factor) can be organized for a small sum, its stock issued behind closed doors for services, or other unknown quantities, not issuing “two for one” but literally “millions for nothing.” Formerly the great industrial corporations said, “Our capital is millions, we are strong;” but of late these great and sound corporations do not stand alone in the expanse of capitalization; others saw that the million denominator was easy to write on the public blackboard and so long as the sound corporations were unwilling to complete the corporate fraction, so long the imitators could make equal claims for the confidence of the investing public. The market became, therefore, crowded, even glutted with securities of corporation propositions whose denominators were alike magnificent in their expansion, but whose numerators were the unknown quantities. The good were in danger of being injured by the failure of those otherwise situated. Hence, necessity to-day compels corporations strong in their integrity to write the corporation fraction in full view of the public, in order to draw the line of demarkation, in the plain sight of the public, between themselves and others, and thus protect themselves against other corporate propositions with expansive de-

nominators but without numerators that enumerate. Hence it is that we find the proposition to-day true, that integrity of corporate capital and corporate management, and as well on the part of the public at large, demands, and each for its own proper protection, a reasonable degree of publicity in, and as well about, corporate affairs, accounts and finances.

I repeat, therefore, that we are free to examine the question presented and to discuss it in detail and with frankness, as an earnest inquiry not only on the part of the inquiring public seeking light, but also on the part of the corporations based on integrity, desiring the public to know where the distinguishing line is between the good and the bad, between the false and the genuine.

#### A GENERAL LINE OF DEMARKATION.

*Corporate Integrity.*—In discussing what tendencies, if any, are likely to become dangerous, we seek a common line of demarkation upon which all thinking men can agree. This general line of demarkation between the good, and the possibly bad, or resulting evil, is not difficult to find. It lies in the single proposition of corporate integrity from inception to finish.

Wherever on the one side we find a corporation honest in its promotion, careful and trustworthy in the financiering of the proposition, upright in its management, faithful in the discharge of its duties towards its stockholders, and single in its purpose to produce the best business results, in such a corporation as this we look for no tendencies which may become dangerous, nor will we find them.

But, on the other hand, among those corporations which depart from the line of integrity, whose promotion is improper or fraudulent; whose financiering

is unwise or vicious; whose capitalization is therefore excessive; whose corporate proposition has no numerator; only an expansive denominator, thus avoiding a proper degree of publicity; whose management seeks through a minority to control the majority, and whose officers are more interested in the success of their private ventures in speculating in the stock of the company than the success of the business enterprise as an entirety; among such corporations we look for those tendencies which may become dangerous, not only to the public at large but to incorporated capital generally.

#### FIRST DANGEROUS TENDENCY.

*Excessive Capitalization.*—The first tendency which may be regarded as dangerous is excessive capitalization. Excessive capitalization is the offspring of two parents, the promoter and the financier. The marketing of any undertaking, whether good, bad or indifferent, is always dependent upon the existence of the financier, the hand, influence and reputation of the financier is essential to its complete existence.

*Improper Promotion.*—The question may be asked, "what is improper promotion?" From a theoretical standpoint, it is clear that promotion for promotion's sake merely is apt to be improper promotion. As a practical illustration, the promoter who takes \$500,000 worth of assets and issues to the venders of the property mortgage bonds practically to the amount of their purchase price \$500,000, and then, as against the supposed equity in this property issues \$6,000,000, of stock, part so-called "Preferred" and part common; improperly promotes.

The promoter who gives \$500,000 of this stock as a bonus to the venders, retaining in the neighborhood of

\$3,000,000 of this stock for himself and endeavors to go to the public with the balance, is certainly properly chargeable with improper promotion.

Another degree of impropriety in promotion is attained when this promoter, in order to give to the corporation a standing to which it is not otherwise entitled, seeks to "people" his board of directors with men of reputation, many innocently and unwittingly lending their names to an improper organization, but for a consideration. When, to accomplish this result, he gives large bonuses of stock to these gentlemen to induce them to become directors, he and they as well are chargeable with improper promotion. The gentlemen who go to make up this board and who lend their credit to the enterprise without fully understanding the situation, may be charged with carelessness in assisting in such promotion.

*Improper Financiering.*—Take, if you please, the history of this organization still farther. The promoter who finds himself with a corporation owning property and having more stock issued than assets, possessing a reputable Board of Directors, and knowing full well that he lacks financial backing, goes to the financier and says, "Assist me in putting this stock on the market." If the first question of the financier, whether he be an individual or an officer of a financial institution, is "What is there in it for me?", then the promoter has an opening for improper financiering. If, when the question of the division of bonuses is satisfactorily arranged, that financier, or that company, allows the stock to be put before the public through the agency of the individual or the corporation, then we have a case of unwise financiering if nothing more. The principle is somewhat analogous to that of the man

who issues certificates of character to another who is either undeserving or concerning whom he knows nothing, and issues these certificates of character for a private undisclosed consideration. The individual who, for a private consideration to himself, undisclosed to the public, gives the use of his name to that organization, has certainly committed an indiscretion. That officer of a moneyed corporation who, for a private consideration to himself, undisclosed, it may be to his Board of Directors, recommends, urges or assists in the flotation of an undertaking through his institution, has assisted a financiering which it would not be wholly inappropriate to characterize as unwise, or otherwise, as you see fit. That Trust Company which receives a large compensation, and does not examine the undertaking carefully, and yet puts the proposition upon the market, may make a mistake. Certainly it is unwise.

And so when you ask me as to the general proposition as to what is characteristic improper or fraudulent promotion and as to what is an element of unwise or vicious financiering I answer you, *secret and undisclosed private consideration for Public Commendation*. Where you find secret and undisclosed considerations proceeding from the promotion either to the directors of the corporation itself or to the moneyed corporation, or its officers, in such cases you may look for cases of promotion which are perhaps improper, and of financiering which is possibly unwise.

At this point I desire to be emphatic and to be understood in saying that I am speaking of "tendencies." I am not speaking of facts existing or of which we see clear indications. Most emphatically do I disclaim any intention of even suggesting that this course has been followed by any existing corporation or any insti-



tution of standing. I may be permitted to observe in passing, that that moneyed institution or that financier who observes the greatest degree of caution for and in behalf of the public must ultimately meet with the greatest financial success. When an undertaking is presented to a financier or to a moneyed institution, that financier or moneyed institution must at once consider himself or itself to be retained either in the interest of the promoter, or else to be retained in behalf of the public. Financial institutions and financiers know well that their assistance is sought to facilitate the issue of securities because the public recognizes the fact that the security partakes to a greater or less degree of the character of the institution from which, or through which, it emanates. No man has stood by combinations, good, bad or indifferent, from their conception in the brain of the promoter, at their birth in the hands of the financier, through their organization and through the management of their corporate affairs by the Board of Directors, until they have been launched either to a public success or laid away in the grave under the receiver's kindly care, —no such man with such practical experience, will deny that much of the root of evil and the beginning of dangerous tendency may be found with the promoter and with the financier.

The results of excessive capitalization are threefold :

I. *The Impairment of Public Confidence.*—I am not prepared at this time to argue against the expressed opinion of some who say that the flooding of the country with stock and corporate securities, which on their face state in plain language that their par value is \$100, while the public knows that the value is but a small fraction of that amount, has in the long run somewhat the effect of a depreciated

currency. Neither will I take the time to violently differ with those who say that excessive capitalization, which is productive of depreciated corporate securities, will eventually have much the same effect as a depreciated currency. In support of this view it is urged that lack of accuracy in statements relating to financiering, whether in corporate securities or public moneys, can only lead to evil, and that \$100 should amount approximately to \$100, whether written upon the bank bill issued directly by the moneyed corporation, or upon the certificate or stock or the bond or other corporate security emanating from the moneyed corporation and countersigned or registered by the bank or trust company. We all agree that, in order to protect the financial reputation and standing of the country, everything relating to finances and financial institutions should be above suspicion either of mistake in judgment or conscious error.

The country with securities that wildly fluctuate, that are affected by every breath of suspicion or suggestion, is somewhat in the same shape as a ship at sea with a loose and rolling cargo throwing itself from side to side in the hold of the vessel. To the man who thinks, from a financial standpoint, the situation presents a grave question. The root of the trouble is the alarm, panic and fear which is produced from a lack of knowledge and from want of positive information as to how high or how low these securities ought to go, based upon a public demonstration of the corporate fraction. It is the want of publicity, the resulting inability to form an opinion, and want of judgment as to sound values, that causes the panic and creates the ruin.

II. *Improper Dividend Payments.*—A corporation that is excessively capitalized, in order to keep in the

race, must provide for the payment of at least minimum dividends, and that too upon a stock which by no means represents the actual value of the property, and often the estimated earning power of the company is based upon the earning power in prosperous times and with no allowances for times of lesser prosperity. In such a situation, therefore, a board of honest and well meaning directors are faced with a difficulty; they must either pay their dividends to approximately the same amount as their neighbors more fortunately situated, or they must permit their stock to become depreciated in the market as a result of failure to pay dividends. The tendency of an attempt to pay dividends upon this excessive capitalization is to pay dividends in excess of the actual earning power, and out of capital account.

One way in which this is said to have been done is by the conversion of the capital into dividends, a process which in the end is sure to wreck the company, decreasing as it does its earning power each year in proportion to the amount thus withdrawn. The tendency is to supply the gap thus made in the capital of the company by forcing on the books the capital account with property taken from elsewhere. In such a case the tendency again is to conceal from the stockholders the real state of affairs.

III. *Effect on Prices and Wages.*—The third effect of excessive capitalization and the attempt to pay dividends upon such capitalization is a tendency to create artificial earnings upon an artificial capital, both by artificially raising the price of the article produced, and by the depreciation of the wages paid. The result to the public, from an economic standpoint, is objectionable.

## SECOND DANGEROUS TENDENCY.

*Avoidance of Publicity.*—Another characteristic of those corporations amongst whom we search for tendencies that may become dangerous, is the avoidance of a reasonable degree of proper publicity in and about their corporate affairs. The question of publicity is one concerning which there are wide differences of opinion. It is a question concerning which men may honestly differ according to the view point from which it is discussed, but even in the discussion of this question there is a common ground of approach. All must concede that the publicity must be reasonable, and that it must be restricted to those matters concerning which the public has a right to know.

The corporations insist that the publicity must apply as well to one as to another corporation similarly situated; that it is not just to ask a disclosure of one corporation which is not required of another similarly situated.

The proposition has been made that publicity as to any matter in or about the corporation, which is accessible to every stockholder, is sufficient publicity to answer the requirements of a proper demand. There is strength in this assertion because it is based upon the principle that what is known to many is accessible to all interested. This proposition, if accepted, would determine the extent to which the publicity should go. If a corporation had but three stockholders, the details would be of interest only to the few and not to the many. The lack of publicity would not be important in such a case. The corporation, however, having a thousand stockholders, or more, if it should make proper information accessible to each of the thousand stockholders, would thus practically make the information public, because

whatever a thousand stockholders knew, the public could easily ascertain and verify. It is along this line that the proper solution of the whole question may be obtained. We are safe in saying that we may look amongst those corporations who seek to avoid any degree of publicity, even among their stockholders, for those tendencies which may become dangerous, not only to the public, but to incorporated capital. Publicity to all of the stockholders is practically publicity to the world, and the public need not be alarmed about a lack of publicity in any corporation where every essential fact concerning its inception, organization, management and affairs is known to every stockholder.

If financial institutions always felt that they had a public responsibility in refusing to financier organizations whose charter and by-laws gave clear indications of an attempt to avoid proper publicity, of an attempt to keep from the stockholders pertinent information, of an attempt by the minority to wrongly control the majority, such tendencies would often die in their inception. Every trust company knows that a bond must depend, as to the rights of the holders, upon the mortgage, that a corporate bond is not a corporate bond simply because it is a bond, but that it is regulated, controlled, limited or expanded according to the corporate mortgage. If every trust company should insist upon plainly printing upon the face of the bond every limitation upon the bondholders' rights contained in the mortgage, the investing public would less often come to grief. So, if the financial institution demanded that there should be placed upon the certificate of stock every restriction upon the power of the stockholders contained in the charter or by-laws, then the public would less often make a mistake in its investments. The public are not wholly



free from blame, because, if the public would refuse to buy stock in any corporation unless they received with the stock a copy of the certificate of incorporation and by-laws, they would then know what they were buying, so far as the terms of the securities were concerned, although they might be ignorant of the solution of the corporate fraction.

### THIRD DANGEROUS TENDENCY.

*Evasive Legislation.*—We see another marked tendency to avoid proper publicity in the attempt to pass, and sometimes in the enactment, of what is evasive legislation. By this is meant legislation which seeks to excuse corporations from carrying on what are understood to be statutory duties as to publicity.

*Legislation in New York.*—The history of the statutes of New York, from 1895 down to 1899, shows that by enactment the legislature has from year to year required less publicity, until, to-day, practically all publicity may be avoided. It is impracticable within the scope of this paper, to discuss the law in all its aspects, but take it in respect to a single matter,—that of annual reports.

The courts of the State have emphatically said that the failure of Directors to make the annual reports required by the statutes was not a simple contract failure, but was the commission of a moral wrong, and directors failing to file the annual report were held liable *ex delicto* and not *ex contractu*. From 1848 to 1890 practical publicity was required of corporations as to their capital, debts, liability and stockholders, and a statement containing these details was required to be made and verified by the directors, filed in the office of the County Clerk and of the Secretary of State, and published in the newspapers where the corporation did business.

In 1890 the "Stock Corporation Law" of the State (Chapter 564, Laws of 1890, Sec. 20) provided that every stock corporation except railroad corporations shall annually make a report as of the first day of January, which shall state :

The amount of capital stock and the proportion actually paid in ;

The amount, and, in general terms, the nature of its existing assets and debts, and all its receipts and expenditures during the year ;

The names of its then stockholders ; and the dividends, if any, declared since its last report.

For failure to make such report, all the directors were made personally liable for the debts of the corporation.<sup>1</sup> This was in substance a re-enactment of the Act of 1875, but with this omission, that the law of 1875 required such a report to be published in the newspapers. The Act of 1890 required no publication, but necessitated only a filing of the report. In 1892 the law was again amended, requiring less publicity, and all matters required in the Act of 1890 were eliminated excepting the following three :<sup>2</sup>

1. The amount of capital stock and the proportion actually issued.

2. The amount of its debts, or the amount which they do not then exceed.

3. The amount of its assets, or the amount which its assets at least equal.

Under this provision of the statute as thus amended publicity was practically done away with except as to the amount of capital and the proportion actually issued. There was no requirement of any information

<sup>1</sup> Laws of 1890, p. 1072.

<sup>2</sup> Laws of 1892, Vol. 2, p. 1832, Sec. 30.

as to how this capital had been issued, whether for property or for cash. The second and third provisions amount to nothing. The amount which the debts of the corporation do not exceed is sufficed by saying "that the debts do not exceed one million dollars." The third provision,—an amount which its assets at least equal, would be answered by prescribing "that its assets equalled one dollar"; and from neither is any real information deducible. The result of this amendment of 1892 was practically to remove all actual publicity except as to the amount of capital stock and the proportion paid in.

In 1899, however, a new section was added to the Act, providing that "No director or officer of any stock corporation shall be liable to any creditor of the corporation because of the creation of any excessive indebtedness, or because of any failure to make or to file an annual report, whether heretofore or hereafter occurring, in case of any debt, as to which personal liability of directors or officers may be or shall have been waived by such creditor, or by any one under whom he claims; or by any provision of any instrument creating or securing the debt."<sup>1</sup> This statute therefore, practically did away with the duty of publicity by providing that it might be a matter of private barter made between the creditor and the corporation.

This Chapter 354 of the Laws of 1899 made it practicable for every corporation to avoid publicity by adding to every contract of liability specific words of waiver of the individual statutory responsibility of the stockholder and director. If the courts of highest resort of the State of New York were right in declaring this was a moral duty, what can be said of the legislative

<sup>1</sup> Laws of New York, 1899, Chap. 354.

act which permitted this moral duty to be avoided by directors of a corporation for the consideration, if you please, of a dollar?

This same statute of 1899, which does away with the moral duty of a director to make public reports, removed another ancient landmark of publicity which had for years existed in the State of New York, namely, the prohibition against the creation of indebtedness in excess of the amount of the capital stock. This statute against excessive indebtedness proceeded upon the presumption that the paid up capital stock of a corporation was a fair statement of the value of its assets, and that so long as the indebtedness of the corporation did not exceed its capital stock, there was property sufficient to pay the creditor. The creditor might rest content, assuming that the publication of the capital stock and the amount paid in was in fact the publication of the maximum amount of indebtedness of the corporation, because the one was required to be contained within the other and not to exceed the other under penalty of the liability of the directors to pay the debt thus in excess. But the passage of the act of 1899 was a letting down of the bars in this respect, and to-day no such assurance is held out to creditors of a corporation, because it has already become general for corporations to avoid publicity by insisting on inserting in their contracts a waiver of liability of directors and stockholders.

*Legislation in New Jersey.*—When we turn to the state of New Jersey, we are told that required publicity has been on the increase as represented in the legislation of the last ten years. It is true that there has been marked improvement in the statutes of that State within the last five years, in the direction of publicity.

It is true that in 1898 (Laws of 1898, p. 410) an act was passed requiring every corporation in its certificate of incorporation and in every report thereafter filed or published, to state the location, by street and number, of its principal office in the State, and the name of the agent designated to be in charge thereof and upon whom process against the company was required to be served. This was an act, it is true, somewhat in advance of modern legislation, in requiring a corporation from its cradle to its grave to have a known and published place of business and requiring that corporation to insert upon every document which it filed or published the address of the corporation and the name of the person in charge.

It is likewise urged, and in accordance with the facts, that since 1849 the provisions of Section 44 of the General Corporation Act had been in force providing that every corporation must have and maintain a principal office in the State of New Jersey, with an agent in charge thereof, and in that office must be kept a transfer book in which transfers of stock could be made, and the stockbook containing the names of all of the stockholders and their addresses, together with the amount of stock held by each, all of which should be open to the inspection of any stockholder and any other person entitled to see the same at all times during business hours.

It is also true, as stated, that in 1898, Section 33 of the General Act was amended, and more publicity was required in so far that, while previously it had been sufficient to have a list of the stockholders open to the inspection of the stockholders themselves always ready twenty days before any election, the law as then amended required the book containing the names of the stockholders with their respective holdings and their addresses to be always open to the stockholders and to be



presented at any election, and added, what is an effective penalty, that the failure to do this disqualified any member of the then board from re-election.

We concur in the statement made respecting the law of New Jersey, that this presents stringent enactments for publicity among the stockholders as to their co-stockholders and their holdings.

As to the payment of the capital stock, the law of the State of New Jersey, it is conceded, is even more stringent than that of New York as to publicity, in that, with the payment of each installment of capital stock, a certificate is required to be filed stating the amount of the installment, the total amount of capital then paid in up to that date, and the manner in which the payment was made, whether in cash or in property.

Annually, too, each corporation was required to make and file in the office of the Secretary of State a statement giving the names and addresses of all the directors, their terms of office, the date of their election or appointment, the character of the business, the street and number of the principal office, the name of the agent in charge, and providing a penalty for failure to file such report in the shape of a liability of \$200, in suit to be brought by the Attorney General of the State of New Jersey.

The law also makes the books of account and vouchers open to the inspection of the stockholders, and gives the Chancellor of that state power at any time, with or without notice, to issue an order requiring the corporation to produce its books in court for examination by a stockholder or creditor.

These, then, are the facts upon which the argument is based that New Jersey has improved in the matter of enforced publicity.

We notice, however, that there is no statute, either of the State of New York or of New Jersey, which is similar to the provisions of the English law to the effect that all stock issued shall be held subject to payment in full in cash in the hands of whomsoever it may be, unless before the issue and allotment thereof, a contract shall be filed in the registered office of the company, which contract shall disclose in detail the consideration in the way of services or property for which the stock shall be issued in lieu of cash, and that, in the event of such filing of such contract, that stock can be issued for property or services rendered to the amount of the par value of this stock.

#### FOURTH DANGEROUS TENDENCY.

*Stock Speculations.*—Of necessity, briefly, we take up the last, but by no means least important point of this discussion. We touch upon a tendency which is not found in the corporation, but which is said to exist in certain corporate officers. I differ with anyone who asserts that this tendency to speculate in stocks of the company is often found, or that it is frequently seen in officers or corporations of standing and importance. It however seems true that any tendency in any corporation to have two interests in the business equally important and equally engrossing the attention of the officers, the one the business end of the corporation, and the other the speculative or Wall Street end, is a tendency which may be, with emphasis, pronounced as dangerous; dangerous to the corporation itself as exposing it to attacks from sources other than those of the business itself; dangerous to the officers of the corporation as tending to take their attention from the one and only end and purpose of the corporation, viz.,

the betterment of the industry in hand ; dangerous to the stockholders, as furnishing to them a false and unwarranted indication of the progress, or, as the case may be, the failure of the business itself.

We cannot assume that any of the present great combinations were put together for Wall Street purposes, nor can we agree with anyone who would intimate that they are being conducted to-day for the purpose of maintaining Wall Street speculations in their own stocks. The great captains of industry do not attempt to be great captains in speculation at the same time, and in one and the same transaction. If an officer of the corporation should have one eye upon the business end of the company and the other upon the stock of his company, as a personal speculation, his attention might be diverted from the proper object of the corporation so that failure in both directions may be the result.

In the ordinary walks of life, such a diversion from the true aim of business enterprises would not be for one moment tolerated. No employer would retain a clerk who divided his time between his business duties and the ticker. That captain of a trans-Atlantic steamship who should be guilty of indulging in private wagers as to the ship's run per day, or as to the length of her voyage, or as to the time when she would pass a certain point, would be instantly dismissed at the end of his home voyage, because the tendency on his part (if allowed) to indulge in private speculation, would endanger the lives of his passengers. the safety of the ship and the regularity of his duties, and all for the purpose of private gain.

If this tendency exists even in a small degree and among the least important corporations, it is a tendency

in the *wrong direction*, and one that should be carefully guarded against. The temptation to indulge in speculation of this sort comes from the assumed possession of so-called inside information and therefore where the stockholders, and thus the public, are thoroughly informed as to all of the financial deals of the corporation, such inside information is not as likely to exist and the prime causes of such speculation are thus removed.

#### CONCLUSION.

In conclusion, permit me to observe, that I am no believer in drastic legislation or an attempt to bring about by enactments of statutes that which should be regulated by an intelligent public opinion. Incorporated capital can better be led by an intelligent public opinion than forced by unjust and hysterical legislation. Reasonable publicity and proper restrictions are advisable and necessary. Much publicity and many restrictions will be voluntarily assumed by corporate capital because of a desire to raise their own standing in the public community; to separate themselves from others differently situated.

It has been suggested that there should be a separate corporation act requiring greater publicity and providing for a full compliance with a proper law in this and other respects. This need not at the outset be made applicable to all corporations, but such a corporation act should provide that corporations complying with it should have a greater degree of freedom from petty annoyances suffered by those under other acts. Let the public exchange for true publicity, freedom from state surveillance as to unimportant details. A high moral standard is often better than police supervision, and the proper aim should be to induce incorporated capital to

voluntarily take this high moral ground rather than attempt to force capital by strict supervision and petty surveillance.

The national banks, organized under the national act, are compelled by the provisions of that act to comply with strict requirements as to the management of their finances and the publicity of their affairs. In return for this they are granted certain immunities which are not incidental to ordinary corporations, their assets, for example, are free from attachment, no matter where located. Applying this same principle, it has been advocated, and with sound wisdom, that a high-class corporation act be passed embodying all these particulars so far as the public and publicity are concerned, which are desirable, but in return granting to the corporation immunity from other details of less importance. The result would be the same as in the case of the banks. A national bank is by many deemed to be an institution of a higher standard than a state bank, hence we find more national than state banks. Apply the same principle, create a high class of corporate law, and those corporations who are able and willing to stand the test would voluntarily come under such a law for the very purpose of showing clearly in the minds of the public the difference between themselves and those corporations who are not able to thus stand before the public. In the matter of transportation, one may go from New York to Chicago for \$10, or may spend \$35. It is a question of choice, but that choice is to a large degree influenced by the company in which one is permitted to go under the \$35 rate and forced to go by the \$10 rate. The man who would go to Chicago for \$10, is deterred from this by the fact that he would be obliged to go in an emigrant train and suffer all the dis-



advantages of thus being classed by the public, while the man who desires to travel in comfort and to be recognized as a man of means and standing, avails himself of the higher priced but more luxurious method of travel. Legislation is not needed to compel travellers to go from Chicago to New York by the limited train ; the railroads do not seek to compel the use of the high-grade means of travel by law. These matters regulate themselves.

In all these discussions as to rights, remedies and enforcements of certain matters of law, the safest and surest way to bring about the desired result is to educate the public and to enable them to classify the corporations according to the company with which they associate.

Professor BEMIS: I will try to say just a word, to start the discussion, along the line of securing publicity. I merely wish to call attention to its difficulty by referring to the experience that we have already had in trying to secure it. We have not made the attempt in the case of trusts, but we have attempted it in the case of railroads. We know that, as a result, we have secured a very valuable mass of material from a member of this Association, Professor Henry C. Adams. And yet the investigations that I have been able to make lately have brought out the discovery, which is really no discovery after all, that there is a vast mass of most important matters concerning railroads which is really known to our commissioners, but about which they do not inform the public in any real degree. I refer to secret rates and discriminations. Some of the most important and valuable things in this connection that we would ex-

pect our railroad commissions to make public they may indeed hint about in their reports, but in general very little real information on these matters is being revealed. Massachusetts has the reputation of having the best railroad commission in the world. But even in Massachusetts you will search almost in vain, in all the thirty reports of that commission, for the discovery of what a few weeks' investigation will show exists to-day, namely, that the railroads of that state are so honey-combed with discriminations that nothing whatever can be told from the quoted rates on any railroad in the state as to the rates which it is actually charging the shippers. You will find, for example, as Professor Commons especially has been discovering, that the quoted rates per ton mile on local freight on one railroad system of that state, even on the class of goods on which the lowest charge is made, that is, on coal, are higher than the average receipts per ton mile on all classes of local freight on that road, and the difference is accounted for by the Massachusetts State Commission, in private correspondence, as due to special rates. Yet they don't take the public into their confidence at all in this matter, and so give us no conception of the absolute farce of the quoted rates. Take a matter upon which we have more fully recognized the right of publicity. For a long time the public has recognized gas and electric light companies as monopolies. We have had a commission at work gathering information, and yet the commission refuses to give the public the information which it secures from the companies. It does not even verify the reports of the companies, although the law gives it the right to inspect their books and determine how they shall keep their records. Yet in Haverhill it was revealed that a gas company had been mak-

ing false reports to the commission. The best defense of such secrecy, even in such a case as the Massachusetts Gas Commission, is given us by a member of our Association, who assures us that the corporations must be recognized as stronger than the public, and that the only way we can deal with them is to give them opportunities for still greater profits and to lock up their reports for a generation. I am not sure but that the position of the gentleman is the correct one, but certainly we must recognize the situation. I do appreciate that publicity is the first step and that if we cannot secure that we cannot do anything else with the trust question. I think that is the practical point for beginning. But we cannot secure publicity in the trust if we cannot secure it in the railroad. We cannot secure it in the railroad if we cannot secure it in municipal monopolies. And therefore I would say that the door through which to approach the trust question is the railroad problem, and the door to that is the municipal problem, because that is simpler. The question of securing publicity is after all much harder than most people think.

Professor JENKS: Two questions I should like to ask in connection with this discussion. In the first place, is there, as a matter of fact, an element of monopoly in these great combinations of capital? So far as I have noted, that point has not been made clear. Mr. Dill, I judge, spoke on both sides of it. He made the statement that from his business experience he knows that some of the larger combinations have considerably reduced their prices, and the implication was that, as a matter of fact, the prices were kept down to competitive rates. On the other hand, he thought that in order to pay dividends on "wind," it was necessary that prices

should be raised. If we can take the first assertion and carry it to the logical conclusion, the implication is that there is no real monopolistic element in these combinations; that competition does work, and that prices cannot be put above competitive rates. If the second proposition is true, that over-capitalized companies can and do pay dividends by forcing prices above competitive rates, or by lowering wages, then there is an element of monopoly in the combination. I should like to have that point developed somewhat fully.

I may add that I have myself heard members of some of the great combinations say that they believe that, within certain limits, there is monopoly, simply from the possession of great capital and the fear thereby produced in the minds of would be competitors. Now if there is an element of monopoly in the great combinations so that prices can be shifted at the will of the managers to an appreciable extent, it seems to me that it modifies considerably some of the conclusions reached by Professor Sherwood. He stated that he believed the limitation of the combination was in the genius of the manager. He called attention to the fact that misdirected production was an evil and needed to be guarded against. If there is a monopolistic element in the combination, so that the manager can shift prices at will, and so that he can determine the amount to be produced at will, even within moderate limits, and thus control the market, it does not require so very much genius to direct a combination successfully, no matter how large, and there would not be much fear of competition by rivals.

Professor Sherwood stated that a great benefit of the combinations is that they get rid of the weak producer. A great many people have been inclined to think that

perhaps this is a social evil ; that the combinations get rid of the competitor too easily ; that that there is no longer a fair opportunity for a young man to get into business in an independent way ; and that every person, except a very few, must have a head man over him. From this fact, that the great mass of people must be dependent upon others, and must take orders from others, comes, many think, the greatest evil of combinations. Is this true ? I should be glad to hear these two questions answered.

Professor LINDSAY : I wish to say a word on the subject of publicity as presented by Mr. Dill. Professor Bemis has called attention to the difficulty of obtaining publicity. If the corporations are anxious for publicity we should like to know just what kind of publicity organized capital is interested in securing. The limitation suggested by Mr. Dill seems to me to be one to which most of the members of this Association would not agree. If the publicity is to be limited to stockholders, it is a very decided limitation, and probably not all of us would agree to Mr. Dill's proposition that the public is interested in the business of corporations only in proportion to its representation among their respective stockholders. We have some laws on the subject of publicity in reference to the list of stockholders. A stockholder has access to the list of stockholders. I believe there has been no decision of the courts justifying a stockholder to copy the list of the stockholders.

I hope Mr. Dill will speak about the second point Professor Jenks referred to, and that is, the influence of the large combinations upon the development of the entrepreneur. The present selective process by which the efficient entrepreneur is obtained is certainly a costly



one. May it not, however, be still the cheapest one in the long run? The development of a high order of undertaking genius in the few seems to me to depend upon a wide range of undertaking experience in the many and it is a question worthy of consideration whether or not by cutting out to a large extent the possibilities of such experience except for a very few persons under a regime of large corporations we would in the course of a few generations have very little available material from which to make selections. Of course it is socially desirable to have the best men picked out and given large powers at the head of these great combinations of capital. But in the course of a few generations it may not be possible to make such happy selections for the large corporations as it is possible to do now.

Professor GRAY: I have been particularly interested in the remarks of Professor Bemis on the Gas Commission of Massachusetts and in the references of Mr. Dill to evasive legislation. I have been asked by more than one member of this Association why the gas commission does not publish the details of the reports made to it by the companies. Without authority to speak for the commission, or any of its members, from my knowledge of the general situation I will venture to assert that the details of these reports are kept secret lest they should be used by those who might not understand them to bring about evasive or ill-digested legislation. Notwithstanding this secrecy, it must be said that the accounts and records of the gas companies in Massachusetts are better kept than any other state in the country. They are not only more systematic and more accurate in each individual case, but are uniform for all com-

panies in the state—a fact of great scientific importance, as it furnishes a basis for comparative study.

It is evident that the commission cannot go forward any faster than it can carry the legislature with it. But, as has been so well said here this morning, we cannot expect the legislature to act more wisely than the temporary opinion of the average voter demands. The evils that exist are, therefore, vitally connected with legislation. The commission is the creature and the servant of the legislature. The hope of further progress lies not in criticising the commission, but in educating the average voter until he will not stampede the legislature and compel it to pass improper acts. This particular commission has probably not done all the public supposed it would do, but it has done much—probably as much as it could do and command the support of the legislature.

Mr. GIDDINGS said that we must not suppose that the suppression of competition between one small producer and another who has been making the same kind of goods is an extinction of the competition which is most important in determining prices. So long as the total purchasing power, or money income, of the public is not unlimited, and so long as there remains the possibility of substituting one sort of satisfaction for another in our consumption, trusts will compete with one another for the largest possible shares in society's distribution of its total income. Mr. Giddings further argued that this competition, like the competition of small producers with one another, tends to reduce market prices to the level of normal prices.

Professor CARVER : It seems to me that there are two aspects of undertaking genius. One consists in the

ability to produce a better quality of goods at a low cost, and fight rivals by that method. Another aspect consists in the ability to fight rivals by strategic methods. In the former the public is vitally interested. They want that kind of undertaking genius at the head of things. They are not particularly interested in having the second at the head of institutions. Now it seems to me that very likely the development of trusts tends to exaggerate, or at least it does not tend to diminish that second kind of undertaking genius. The man who by this process of natural selection finally comes to the lead of a great combination, may keep that position and maintain that position largely because of the possession of that kind of undertaking genius which consists in the ability of running out all rivals by strategic methods, sometimes by discriminations, or by unscrupulous methods perhaps. Now it seems to me that there lies one answer to Professor Jenks' question, that through the possession of that kind of undertaking genius on the part of the heads of these combinations, possible rivals are scared out and thereby the combination is enabled to maintain a price somewhat above competitive rates.

Mr. MARBURG: The large question we have to consider is the saving of waste in industry. Progress is simply a saving of waste and society is concerned principally with the net results of industry. There is no member of this Association but has felt the enormous waste in the present competitive system, and felt that it is this waste which has produced the industrial trust.

Prices become a minor consideration for the reason that if the net product of human industry is largely and permanently increased it can be only as the concomitant

and result of a large and permanent increase in the welfare of the people.

Industrial consolidations must stand or fall according as their ultimate results in this respect are good or bad. Our attitude toward the industrial trust must depend largely upon whether we consider it permanent or something that will fall. The history of railroads in this country helps us to decide this. We know that some of the industrial trusts existing to-day will fail through mismanagement or through proving false, instead of natural, consolidations. What will happen? Will the business be broken up and go back into private hands? Railroad companies which have gone into the hands of receivers have, as a rule, not broken up into smaller companies. They have been reorganized with new capital or have been merged into larger combinations. Will history not repeat itself, at least with respect to such industrial consolidations as effect a saving, and which are not merely born in the brain of promoters?

The managers of industrial trusts will be more than human if they resist the temptation to advance prices should the trust become a practical monopoly. This evil may be offset by organizing the companies under a national law and recovering for the people a part of their profit in the form of public revenue. The government might assume towards them an attitude similar to that of the Prussian government toward the Imperial Bank. It might say to them: "You must issue stock only to the extent of the actual cash invested in the business. You may make a profit of 10%, 12%, or 15%, but all profits above that amount, whatever that amount may be, you must share with us." The government should take the lion's share of this excess, giving only sufficient of the excess to the company to stimulate invention and improvement.

Professor DEWEY: Too much emphasis has been laid in this discussion upon the side of the investor,—upon the question of prices to the consumer. The subject has not been considered adequately enough from the point of view of the social good. Competition deals not only with prices but is in danger of suppressing the opportunities for young men. There is, to be sure, under large scale industries an opportunity for the genius, but for the great number of young men who have not been prepared for this highly organized industry, there may be loss and sacrifice. The question arises as to whether we should not secure legislation which will not only give publicity, but will also check to a certain degree the rapid transformation which is now going on. Large scale industry in itself may be an ideal to be looked for, but we should consider the possible dangers of too immediate rapid changes.

Professor GARDNER: I wish to refer to an impression which seems to arise from papers this morning. I refer particularly to Professor Sherwood. He pointed out that we have been practically through the same experience before; that the growth of large industries has been attended by economic and political evils, and that the railroads particularly have had to go through processes of reorganization resulting in the establishment of sounder conditions. He says that the trust problem will work itself out in the same way, and that the weeding-out process will result in development of sounder conditions as has been the case with the railroads.

It seems to me that this view covers up the gist of the problem. No one proposes to throw obstacles in the way of the development of industry on a large scale so far as it takes place in accordance with the interests of



the public and so far as it tends to produce the entrepreneur described by Mr. Sherwood. I take it, however, that the lesson we are to draw from past experience is not to allow the problem to work itself out without any attempt to control the course of events and to suffer again, in connection with industrial enterprises, the evils incident to the mismanagement and reorganization of railroads, but rather to see how we can control this new development so that we may reach the same results that have been reached in the case of railroads without going through the process of over-capitalization and reorganization. This, and not the advisability of restraining organization on a large scale, is the practical question. If the trust is the best form of organization, it will survive. The only question is in regard to the road by which we shall reach the final result.

Professor SHERWOOD: I have been accused of being an optimist, but I am simply a fatalist. I look on the trust as inevitable. I want to see what are the possibilities for good in these combinations, and what are the possibilities for evil, and then seek for some practical method to realize the good and to avoid the evil. The last word in my paper expressed this idea. It is through conservative rational action by the government that the problem must be solved. Just how this will be accomplished is yet to be worked out. I want to endorse what Mr. Dill said, that by all means publicity is the first thing we must have.

My statement that society wants to get rid of the weak entrepreneur has been criticised. The weak entrepreneur is decidedly a social evil. We don't want every clerk in a country grocery store to start a store

for himself as soon as he can get credit for \$50. As society grows more compact and the social organization becomes more complicated, the opportunities grow relatively less for a man in independent business. We must limit the number of competitors if we are not to produce at a great loss to society. The practical question is, how far is it advantageous for this process of combination to go on? The trust problem is the problem of determining where that limit should be.

MR. ALLEN RIPLEY FOOTE: It appears to me the consensus of opinion is that public opinion must be relied upon to correct the evils, feared or experienced, from the organizations of corporations and trusts. Publicity is demanded as a basis for public opinion. If public opinion is to be correct, the basis on which it rests must be correct. This raises the question at once, how much and what kind of publicity shall we demand? Industrial corporations may be divided into two classes: (A) Natural Monopolies. (B) Competitive Undertakings.

The first class includes all public service corporations. These corporations should be constituted and dealt with as monopolies. In such cases public welfare and private interests should be safeguarded by administrative regulation, based on laws requiring all public services rendered by public service corporations to be sold to users at prices that will represent only their true cost plus a reasonable profit. Reliance for the complete elimination of all evils, feared or experienced, from this class of corporations must be upon full and correct publicity.

The second class includes all corporations engaged in industrial, commercial and financial pursuits properly belonging in the economic group of competitive occupations. When publicity is demanded from this group,

the demand must be guided by the fact that, to the extent to which publicity is required, competition will be limited. All economists of wide authority, all legislation and judicial opinions agree that, in the domain of competition, the force of free and unrestricted competition must be relied upon as the most efficient means of safeguarding public and private welfare. The essential condition of effective competition is secrecy of accounting. In the sense in which that term is used in discussing corporation and trust questions, publicity and effective competition are incompatible. Full and correct publicity of the private affairs of competing corporations and trusts will unavoidably lead to consolidations and the creation of monopolies. Is this what the people want? For competing corporations and trusts choice must be made between secrecy in accounting with competition, and publicity in accounting without competition. Which shall it be?

## RAILROAD RELIEF AND BENEFICIARY ASSOCIATIONS.

BY W. H. BALDWIN, JR., PRESIDENT OF THE LONG ISLAND RAILROAD COMPANY.

It is my purpose to trace briefly the development of the beneficiary, insurance and relief features of railroad organization, and to suggest their present bearing upon the important relation between railroad corporations and their employes. A complete analysis and comparison of the various forms of relief associations would far surpass the limits of my time, and furthermore such a paper has been published by the Commissioner of Labor at Washington. It is well, however, to indicate the more important features of the relief work in order to place it properly in the complex relations between railroad corporations and employes. It may be described as the final step in the process of the evolution from simple railroad organization to the present highly developed organization of many railroad systems.

The railroad corporation performs a public service. "Railway transportation is essentially a Government function." Its employes approach the classification of public servants. The public is the jury which passes on the questions affecting railroad service and management. The relation between the employes of a railroad and the management is always of vital interest to the public. The higher the development of the organization of a railroad, and the more nearly its service approaches to its public functions, the better the class of its employes, and the more assured their permanency of employment, the more apparent becomes the lack of real cause for friction between the corporation and its

employees, and the more efficient is the protection of the railroad by the public in respect to those questions which it is the province of the public to decide.

The credit for working out the relief and insurance features in railroad organization is not due to the railroad corporations alone. The problem was first solved by the employees themselves. They now must welcome the growing tendency of large railroad corporations to provide a system of relief and insurance, for even though it may in some respects take the place of, or interfere with their own insurance department, and possibly with their brotherhoods, the existence of a relief department on any railroad shows a more highly developed organization, in virtue of its recognition of the wisdom of providing a protection, which it has always been the aim of the employees to secure through their own efforts.

The development of the associations for relief and benefits for railroad men is contemporaneous with the extraordinary growth and extension of the railroad system since the Civil War. The earlier history of the railroad indicates a simple form of organization. Short mileage, small cars, slow speed, light traffic, with comparatively few employees, who were all known personally to the officers in charge of operation, made a simple problem of the relations between the railroad corporation and its servants. The local nature of the lines with officers and employees selected from the local territory, tended to bring about a personal relationship between officers and men, and there was little need of a more complex organization. But with the rapid growth and combination of railroads in the early sixties, with their larger and more complicated operations, with the need for stability of organization and permanency of



employment, with ever increasing danger of service, there grow up a demand for relief in cases of accident and sickness and for an insurance benefit in case of death. This need was not recognized formally by the railroads; it was met, however, by the employes themselves, who organized benefit associations for their welfare and relief. The importance of these associations of employes to their own welfare as well as to the railroads has been marked. The improvement of the status of railroad employes largely by reason of their own associations raised the standard of men engaged in the service. The employes and the public received its benefits and the railroads unconsciously, and involuntarily, perhaps, profited by the better standard developed.

As an indication of the need of special organization for the relief of railroad employes the official figures given by the Interstate Commerce Commission in their annual report for 1898 show 1,693 employes killed, 27,667 employes injured, or a total of 29,360 killed or injured out of 823,476, the total number of employes in the railroad service in the United States. That is to say, three and five-tenths per cent. of the employes were either killed or injured in that year, and these figures include only those injured sufficiently to warrant an official report.

There are two forms of association for insurance and relief which have originated with the employes; the one an association for employes (sometimes classed as a whole) of any separate railroad system and entirely supported by its membership, the other the more important national organization which includes in its membership all railroad men in any special line of service who may join and contribute to the general support of the association.

Under the latter class have been formed several national organizations or brotherhoods, each organized for the general welfare of the men employed in some particular class of work, and applying to all the railroads in the United States. The principal and older national organizations which have beneficiary or insurance features are :

(1) The Brotherhood of Locomotive Engineers, organized August 17, 1864.

(2) The Order of Railroad Conductors, organized July 6, 1868.

(3) The Brotherhood of Locomotive Firemen, organized December 1, 1873.

(4) The Brotherhood of Railway Trainmen, organized September 23, 1883.

The insurance and relief departments of all these organizations are similar. As a rule the general officers conduct the insurance department as a part of their regular duties. The engineers, however, perform their insurance functions through a separate department. As a rule the insurance departments of the brotherhoods have been wisely managed, have maintained a good financial standing, and have been able to pay the insurance benefits for which they were liable. The amount of benefit or insurance and the conditions under which insurance may be taken varies with the different organizations in accordance with the greater or less risk in the class of service in which the men are employed. The benefit department of the Order of Railroad Conductors, for example, permits its members to insure for amounts from \$1,000 to \$5,000 according to the age of the applicant, and is limited also by satisfactory physical test. The assessment may be \$16 per year per \$1,000 insurance ; it averages about \$14 per

year. Temporary relief for sickness, accidents or disability is left almost entirely to the local divisions, but as a matter of fact relief is generally given. Provision for temporary relief is made by local assessment upon the division. Thus a careful examination of each particular case can be made, and with full knowledge of all the conditions the most efficient care can be given at the least expense. This provision for temporary relief is further aided and supplemented by Ladies' Auxiliaries, so called, which aim to further the work of the local division and to see that no case of distress, if worthy, shall lack the proper care and assistance. There are no statistics to show the amount of money expended in this relief work.

The growth of these fraternal organizations is the evidence of their success. The mutual co-operation for help and assistance in case of accident, sickness and death, has supplied a necessary link in the complete organization of the railroad service. It may be noted that this need for relief and insurance was recognized by the men themselves nearly twenty years before the matter received formal attention on the part of the railroad companies. The gradual evolution of the hospital, relief, and insurance associations as a recognized department of the railroad organization is indeed interesting, and exemplifies many important and instructive phases of the relations between the employes and the railroad companies. The first formal recognition by the railroads of the need of providing means of relief for accident, death and sickness for employes in all departments was made by the Baltimore & Ohio Railroad Company in the formation of the Baltimore & Ohio Employes Relief Association in May, 1880. A similar organization was formed by the Pennsylvania Railroad Com-

pany on February 15, 1886; by the Chicago Burlington & Quincy Railroad on March 15, 1889, and by various other companies at divers times, so that to-day about fifteen per cent. of the mileage and twenty per cent. of the employes of the railroads in the United States are provided for, through relief associations as departments of railroad organization. There are many railroads which have thoroughly organized hospital and medical departments only, to provide for relief by medical attendance in case of accident or sickness, but without insurance or beneficiary departments. Such hospital departments have been especially important and effective in the western country, as a large percentage of the railroad employes in earlier days were men who went to the West from the East, and were without homes or means of proper care during illness. These hospital departments on some railroad systems have been very highly organized and have proved most successful. In some instances a medical department is organized by and at the expense of the railroad company exclusively, and in other cases the expense of the department is borne by assessments upon, or contributions from the wages of the employes, according as compulsory or voluntary systems are in force. These relief measures are found in every stage of development, varying with the ability of the corporations to support them and with the different points of view of the officers of the corporations. But there is a tendency on the part of railroads generally to provide relief of some sort for their employes.

The motives are both philanthropic and financial. The danger and risk in railroad service demands organized supervision. The highly developed railroad system of to-day requires for wise and economical ad-

ministration, a personnel with a loyal interest in the service, and a cordial relation between the corporation and its employes. This result is materially furthered by an expectation among the men of permanency of employment and of relief and aid to themselves or their families in case of sickness or death.

Generally speaking, the railroad relief associations are supported partly by the corporation and partly by the men. In some instances membership is compulsory and in others voluntary. The general rule with respect to assessments in all relief and hospital associations, whether compulsory or voluntary, is to assess the employe in proportion to the amount of wages received.

The aim of the more highly developed organizations is to provide means to give relief :

- (1) In case of injury or accident.
- (2) In case of sickness.
- (3) In case of old age, by pension, and,
- (4) To provide insurance benefit and pay funeral expenses in case of death.

The Pennsylvania Railroad Relief Association affords an illustration of the methods adopted by the association which has the largest membership, and is probably also the most highly organized association of this sort at the present time.

The Pennsylvania Voluntary Relief Department, which was organized February, 1886, is managed by a joint advisory committee representing all the lines associated. The general manager of the Pennsylvania Railroad is chairman, and the superintendent is secretary of the advisory committee. The employes who contribute to the relief department and are regular members thereof appoint each year by ballot on January 1st one member to represent them from each of the six



divisions of the railroads associated together for this department. The railroad companies each select a representative in their behalf. Thus a board of six representatives of the employes and six representatives of the railroad companies, together with the general manager and superintendent, form an advisory committee. All of the corporations interested are parties to the joint agreement in behalf of themselves and their employes, agreeing to appropriate their ratable proportion to the joint expense of administration and management and the entire outlay necessary to make up deficits for benefits to their own employes. An outline of the more important provisions of the plan is as follows :

First, and most important : It is a regular department of the company's service in the executive charge of the superintendent of the operating department.

Second : The fund is created by voluntary contributions from all classes of employes, and appropriations are made, whenever there is any deficit, by the companies. Any income from investments of the fund, or any profits or gifts, legacies, etc., are added to the fund.

Third : The company guarantees the fulfillment of the obligations of the association, takes charge of its funds, and conducts the business entirely at its own expense.

Fourth : If there is any surplus in any period of three successive years, it is set aside to be used for a fund for superannuated members. But such surplus is not set aside until due allowance is made for liabilities incurred during such three years. The allowance is kept as a relief liability fund. The surplus for superannuation is called the "Relief Fund Surplus," the income from which, after January 1, 1900, will be used as

superannuation fund to pay superannuation allowances.

Fifth: The employes are divided into five classes and contribute in proportion to their ability to pay as follows:

(1) Employes receiving any rate of pay contribute seventy-five cents per month;

(2) Employes receiving \$35 or more contribute \$1.50 per month;

(3) Employes receiving \$55 or more contribute \$2.25 per month;

(4) Employes receiving \$75 or more contribute \$3.00

(5) Employes receiving \$95 or more contribute \$3.75 per month.

(6) An employe not over forty-five years of age, after having passed a satisfactory physical examination, may join his own or any lower class. Any employe not over forty-five years of age, if he has been in the service five years continuously and a member of the department for one year, may enter a higher class than his pay would permit upon passing a satisfactory physical examination.

(7) Any member may contribute for additional death benefits, as follows: Those of the first class may subscribe for one additional benefit of the first class (\$250), and members of each of the other classes may contribute for as many additional death benefits as the number of their class indicates. The fifth class, for example, might contribute to five or less death benefits, in addition to the five regular benefits of \$250 each allowed in that class.

(8) Any member may withdraw at the end of any month.

(9) Membership may be retained during absence from duty by reason of furlough, or suspension, for a period not longer than nine months.

(10) Contributions for death benefit additional to the

death benefit of the member's class are determined by the age of the member at the time of taking the additional death benefit. Employees not over forty-five years of age pay thirty cents per month for one additional benefit of the first class. Those from forty-five to sixty years old pay forty-five cents per month. Those over sixty pay sixty cents per month. The benefits paid for accident in the company's service are as follows: Members of the first class, each day for fifty-two weeks, fifty cents per day; after one year, each day, until well, twenty-five cents per day; the other classes in exact proportion, that is to say, the fifth class, \$2.50 for each day for the first fifty-two weeks, and \$1.25 per day thereafter.

For sickness or injury other than accident in the company's service, members of first class receive forty cents per day for fifty-two weeks, and twenty cents per day thereafter, other classes in proportion to their contribution.

For death from any cause, members of the first class receive \$250, and other classes in proportion to their contribution.

Surgical attendance is given free for any disability arising from accident in the discharge of duty.

The report of the Relief Department for the last fiscal year up to December 31, 1898, is an index of the success and importance of this work.

(1) The average monthly membership was 44,678. The report shows a constant increase each year since the beginning, the total membership December 31, 1898, being 45,141;

(2) The death rate was  $11\frac{1}{10}$  per 1,000 members;

(3) The average number of members disabled,  $32\frac{8}{10}$  per 1,000;

(4) Seven thousand seven hundred and fifty-nine new members joined, or 7,232 in excess of deaths (497) and withdrawals (30); 5,766 left the service, showing a net gain in membership of 1,466.

The Relief Fund account showed a balance of \$257,000, this being the first year of the fifth three-year period above referred to. The Relief Fund liability account to cover liabilities incurred for periods prior to 1898 amounted to \$261,000. The Relief Fund surplus account to be used for the Superannuation Fund was \$636,000, which sum is invested in 4 per cent. bonds.

The thirteen years' operation shows a sum paid from the Relief Fund to the employes of \$6,115,000, paid by the railroad companies for operating expenses and as special contributions, \$1,502,000, or a total expense for relief and operation of \$7,617,000 toward which the companies had contributed about twenty per cent. Of this amount sixty per cent. was used for the relief of disabilities through accident in the service or through sickness.

It is almost needless to state the advantages of such an administration upon any railroad system. That it is beneficial to the men is proven by its voluntary membership. That it is good business is shown by the further contributions which the Pennsylvania Railroad has authorized for the superannuation and pension department to be established January 1, 1900.

By agreement of the constituent companies, on December 18, 1899, the Pennsylvania Railroad has organized a pension department to take effect January 1st. It is organized

First—To relieve from duty all officers and employes seventy years of age or over and to provide for their care ;

Second—To relieve from duty employes from sixty-

five to seventy years of age who have been in the service of the several companies for thirty years or longer and are now physically disqualified.

A board of officers is appointed by the railroad company to direct the affairs of the pension department.

Employes who are superannuated will receive a monthly allowance equal to one per centum of the average regular monthly pay for the ten years preceding retirement for each year of service. For example, if an employe averaged \$75 per month for ten years and had been in the service forty years, he would receive an allowance of \$30 per month, 40% of the average wage as stated.

It is provided, however, that whenever pensions paid on the above basis use more than \$300,000 per annum, the amount of the pensions will be ratably reduced.

Having referred to the associations of the employes and to the railroad relief departments, it is interesting to compare the advantages in cost and results of the two methods. Such a comparison is not made with any view of showing the advantage or disadvantage of either, as both kinds of insurance are beneficial; but it is important to show to what extent the railroads have voluntarily accepted the function which the men through their own organizations have found necessary for their aid. The important points of comparison are:

First: That the cost of insurance is approximately the same. As stated above, we have no statistics to compare the cost of relief.

Second: The railroads include relief features in their guaranty plan, whereas the associations of employes generally leave all questions of relief to their local divisions.

Third: The expense of management of the department is paid by the railroad companies, and in the case of the employes' associations by assessments.



Fourth: The financial status of any voluntary relief association must be dependent on voluntary membership, whereas the railroad company practically guarantees its risks, and in many cases pays considerable sums from its own treasury to maintain the stability of the department. This feature is of great importance to the employes.

Fifth: The employes' associations have, in a limited way, made provision for aged and infirm members, but it has remained for the railroad companies to establish the only thoroughly organized pension departments.

So far, I have referred only to the need of relief work for railway employes, and have outlined some of the methods of administration and the results of such work. There is, however, another vital question in railroad management which is affected by such Brotherhoods as are organized for "protective" purposes as well as for relief and benefit. This is the question of the general status of rates of wages and of the rules governing the employment of the army of railroad men in the United States. It will be my purpose only to point out for purposes of discussion here, how railroad management is affected in these particulars by such associations of employes.

If railroad transportation is a "Government Function" and "The Government must see that it is properly discharged," (Interstate Commerce Report, 1898); if, in short, the Government is to control the rates, this authority carries with it the responsibility of protecting the private capital invested in the railroad systems in such manner as will permit the railroads to give a proper service, to pay reasonable wages, to provide proper methods of relief for their employes and earn fair return upon their invested capital. There must be a limit to

the demand of public sentiment for high wages and low rates. In other words, protection must be afforded to the earning power if the public is to assume to pass upon the rate and wage question.

Some Brotherhood organizations have been organized from time to time for strictly relief and insurance purposes, but, generally speaking, the national associations are formed for the "general welfare" of the members and for the purpose of "protection" both in wages and in the rules governing employment. There are obviously three ways for railroads to meet the question of wages and conditions of employment.

First : To avoid any question by paying a "standard" wage under "standard" rules, and by administering the property in such manner as to render unnecessary any appeal from organized labor, or, if such appeal be made, to refuse to consider it.

Second : If unable from financial or other reasons to grant requests for increased wages, to confer with the representatives of the employes, whether selected by a labor organization or not, and to explain fairly to the class of labor involved the reasons for declining the request, thus recognizing organized labor.

Third : To decline to meet the official representatives of the class of labor desiring to be heard and to treat the subject as a private matter without regard to the standard of wages paid.

The last method is seldom adopted except by small roads.

In dealing with the railroad labor question, the large railway system should be the subject for discussion.

To maintain the first method of meeting the wage question, the great railroad systems of the present day,

in performing their government function, must so administer their property that the wages paid will be the standard railroad wage, the standard wage being the average wage paid by lines similarly situated, with similar traffic conditions. There is no standard wage for any class of railroad labor for the whole country. Any attempt to make a standard wage would prove futile. The difference in opportunity for steady work, the comfort of surroundings, the cost of living, the advantages offered by schools, churches, etc., in short the conditions controlling demand and supply, would make any absolute standard wage unfair to some roads. The railroads which treat labor questions under the first class may be said to recognize the responsibility to the public to furnish the best class of men at fair wages and to treat fairly and even generously with their employes direct. The labor organizations give indirect "protection" only to their members on railroads acting under this method.

*Second Class.*—A large number of railroads by reason of adverse traffic conditions, financial conditions, etc., are unable to pay even the standard wages in their section of the country. Generally speaking, such roads make a fair statement to the employes or to their representatives, and, with a fair spirit on both sides, a reasonable conclusion may be reached. The important element in this method of meeting the question is publicity. A statement to the employes and the public explaining fully the wages actually earned by the employes who make the request; analyses showing cost of living compared with other sections commanding higher wages; comparison of wages earned by railroad employes with the wages earned in other service (comparable with it) in the same locality;—in short, a

straightforward statement of the case is made with the expectation of meeting an honest response from the employes and from the public. This method puts the case squarely before the public as the jury, and the opinion of the public is oftentimes the controlling factor. This method may prove to be of the utmost importance in the future. The extreme prosperity of this country has permitted the railroads to pay the highest wages known in railroad service. With constantly decreasing rates forced upon the railroads by unbridled competition, the general problem of railroad wages may present itself. The operations of the enormous railroad systems of the future cannot be stopped by reason of wage discussions. In the last analysis the wage question must go to the public as the jury. Entire publicity alone can give the proper foundation for the settlement of any serious question affecting labor in public service;—publicity of the facts regardless of the questions of recognition or non-recognition of labor unions. The same spirit which now demands reasonable direction and control of industrial pursuits will demand reasonable protection of the public as well as of the employes in any wage question in public or quasi-public service. The service of the railroad employe will be recognized more and more as a public service.

Probably at no time in the past have there been such satisfactory relations as exist to-day between the railroads and their employes. At no time has there been such a high class of men in the railroad service, or such intelligent direction and control by the officers of railroad corporations. There is to-day a clearer understanding and recognition of the lines along which these problems must be worked out. The lines are fairly well defined, and if wisely followed, most of the questions

between corporations and employes should be solved without causing open friction. A well organized Relief and Beneficiary department of a railroad system is in itself an evidence of interest in the best welfare of the employes, and when well supported voluntarily by the employes, indicates on their part a cordial recognition of and co-operation with the management.

Such a mutual interest cannot be considered the least benefit from Railroad Relief and Beneficiary Departments.

Mr. ROBERT C. BROOKS first called attention to the fact that railroad relief and beneficiary associations divide employes into classes according to their ability to pay. Owing to the enormous diversity in risks presented by so heterogeneous a mass as railroad employes, this arrangement is inequitable. Employes running little risk of accident are obliged to pay as much for their insurance as others engaged in the most dangerous branches of service. Thus a telegraph operator must pay as much as a freight brakeman, although the first is exposed to extremely slight risks, while the latter fills one of the most dangerous positions in modern industry.

The inequity of this arrangement would, however, prove no objection to the system of railroad relief and beneficiary associations if all employes were left free choice in the matter of joining such associations. Those whose interests could be best subserved by joining the brotherhood relief societies or ordinary insurance companies could then do so. But even in the case of the railroad associations which call themselves voluntary so much pressure is often brought to bear upon the employes by the officials that it amounts practically to compulsion. It not infrequently is the case that men



applying for positions with the company are rejected if they refuse to join the relief association.

Philanthropic motives were without doubt partly influential in leading the companies to establish relief associations. Further, the companies cheerfully make up the deficits in the relief fund when the contributions of the men are not sufficient to pay all sick, accident or death benefits. But the companies reap a large advantage in this apparently altruistic transaction by being relieved from expensive litigation and payment of damages for injuries sustained by their men. Members of relief associations must, by the terms of their agreement, waive all claim upon insurance from the relief fund in case they bring suit for damages against the company. They are thus forced to choose between a certain small payment at a time of great distress or a sum uncertain in amount if they are successful after long litigation. Naturally they accept the former alternative in most cases. It is a fair question if the expense saved the companies in this way does not far outweigh all costs of maintaining the relief system. Statistics on this point have not as yet been given to the public by the companies. It is not to be denied that these facts give railroad relief associations a certain appearance of being shrewd schemes to make the office men in railroad service pay for the injuries sustained by the men in the more dangerous employments.

One decided disadvantage of railroad relief associations from the standpoint of the men is that in case of dismissal from the service they lose all claim upon insurance. Great injustice might occur through this provision. On the other side, it is not to be denied that some railroad employes use every effort to defraud the relief fund. This greatly increases the difficulty and

cost of the system of medical examination which the company must maintain. In the case of insurance afforded by the brotherhoods, every member of the organization is conscious of a community of interest, and acts as an examiner, thus effectually stopping such cases of shamming.

On the whole, Mr. Brooks was of the opinion that railroad relief departments were doing good work. They practically compel large numbers of men most of whom are employed under conditions of great danger, and yet are inclined to exercise little foresight in managing their affairs, to make some provision for the future. The claim that they are largely philanthropic institutions can, however, hardly be maintained until the many defects of the system are remedied.

## RAILWAY CHARTERS.

BY DR. B. H. MEYER.

The term railway charter, as used in this paper, embraces the enabling or permissive statutes under which the railways of the country do business. The charters granted in the various states before general railway incorporation laws had been enacted, were special laws relating exclusively to a particular enterprise. Railway companies organized under general laws secured what are variously known as articles of incorporation, articles of association, letters patent, etc., which are, in the old sense of the term, not charters at all. The earlier "charters" are acts of special legislation. The later "articles" are merely administrative acts based upon general laws.

With the exception of a few western states, in which general laws were passed at the very outset, the states began with special legislation and gradually drifted into general legislation. In many states the first general laws embodied all the salient features of the best special charters which had been previously granted in those states, while in a much smaller number the first general laws related to eminent domain, declarations of public utility, public aid, and kindred topics, leaving the chief provisions of the franchise to the special charter. The transition from special to general laws was usually extremely slow. In a large number of states this transition was encouraged by a system of abbreviating charters, the new charter containing only several sections relating to the organization, route, and other individual and local matters, with the provision

that the company thereby incorporated shall enjoy all the rights, privileges, and immunities previously granted to a certain other company. The logical outcome of this process was the enactment of a general law embodying the provisions of the charter by reference to which the newer charters had been abbreviated. However, the simple enactment of such a general law was not necessarily followed by incorporations under this law; for, again and again, special charters were granted—sometimes within a day or two—by the legislatures of a number of states, completely ignoring the general law. Of, perhaps, a score of railway companies authorized during the same session of the legislature, one-half might have organized under general, and the remainder under special laws. More than this. One of the great railway systems of the United States is to-day operated under a special charter, originally granted, twenty-five years before, for the construction of an insignificant local road which was never built, in spite of the fact that every state which this system crosses had at that time laws or constitutional provisions, or both, prohibiting the granting of special charters for railway purposes. In itself this may have been neither bad nor good, yet we are confronted by the fact that the spirit, if not also the letter, of the laws of these states was shrewdly evaded by the railway company in question.

The history of railway charters in the different states has been quite similar. Few, if any, states appear to have profited by the earlier experiences of sister states, but each in turn lived through all the successive stages of railway civilization from the stone-age up—or up to the stone-age, if, as has been asserted, this term characterizes the status of present railway legislation. Each

state—excepting a few of those in the west—had its crops of railway charters; and as the promoters moved westward from the Atlantic towards the Pacific, the charters were generally more loosely constructed through the omission of the more detailed, explicit, and often restrictive sections. Not a few charters were granted containing only from four to a dozen sections, while the best eastern charters contain from twenty or twenty-five to forty or more. If the states of the Northwest, for instance, had heeded the lessons of New York or Massachusetts, it is probable that the railway history of this country would have been different from what it is in many respects. In recent times, Japan in her railway legislation, has given us an illustration of what one state may learn from other states or countries. This suggests the splendid English custom, for illustrations of which we may turn to the railway laws of India, Canada, and the Australian Colonies, of carefully defining in the act itself the terms employed therein. American charters and general laws are full of terms which require definition in order to be understood. Instances could be cited where charters specify judicial or other officers for the performance of certain duties, which have neither legal nor constitutional existence in the state which granted the charters. This is only one of the many ways in which the greatest carelessness in the passing of railway charters by our legislatures is revealed. Yet, it would be rash to conclude that carelessness in granting charters necessarily resulted in the construction and operation of inferior railways, or in abuses characteristic of the business; although it is difficult to see why charters granted by the same legislature during the same week, for similar railways should contain widely diverse or antagonistic clauses.



An analysis of the contents of railway charters of the various states shows substantial uniformity in corporate powers, provisions relating to expropriation and to the size of shares, and certain police regulations. But here uniformity usually ceases. Of course, differences due to differences in the enterprises themselves ought to exist in the charters and laws, but it is one of the striking features of our railway history that both special and general laws may vary widely even though they apply to railways constructed and operated under essentially similar if not identical conditions. In the charters, the number of commissioners and directors appears to be fixed by chance. With few exceptions, the capital stock bears no relation to the size of the undertaking. The power to borrow money and to increase stock is usually guarded only in the vaguest and most general terms. The name of the company frequently contains the best available description of the route. Junctions, branches, and extensions are rarely well provided for. Provisions on rates are contained in only a small proportion of the earlier charters and generally wanting in those of later periods. Annual reports embracing from eight to one hundred and fifty or more items are prescribed, without adequate provisions for carrying out the intention of the law. With illustrations of this kind one might continue almost indefinitely. To present what the charters do not contain and wherein they differ would involve the writing of a treatise on railway legislation.

An analysis of our general laws reveals a similar state of affairs. We find there omissions, differences, inconsistencies essentially identical with those in the charters. The laws of a few of the states are relatively complete. The laws of others contain numerous admirable provisions. *But it is probably true that the laws of all the*

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*states taken collectively do not contain all the provisions essential for a complete railway law of to-day.* In three-fourths of the states reports are called for which ought to furnish information sufficient for intelligent control; yet, who, by the terms of the charter, has power to verify these reports? Charters and laws require crossings to be left in good condition. During the earlier epochs, charters designated no one with power to enforce compliance with this provision, nor do the later charters generally do so. The commission laws have, however, in some instances, remedied this defect. Here and there provisions relating to sinking-funds and other wholesome financial arrangements appear in the charters, but their execution is left to the good will of the promoters. And when we recall that the same men frequently figured in a number of different projects involving, perhaps, millions of dollars, although the public had no assurance that these men could pay even their tailors promptly, the defects of such charters and laws are apparent.

It will add to whatever value this bird's-eye view of railway charters may possess, to consider a few of the chief characteristics of foreign railway charters. Inasmuch as charters and laws of more than a dozen countries reflect prominent features of foreign legislation, we may venture the statement that railway charters the world over have been constructed on the same plan. Their skeletons are everywhere alike. Taking their earliest shape in the turnpike and canal legislation of England before the era of railways had come, their first forms were generally preserved in both European and American states as well as in Japan. Various archaic features contained in the charters of to-day amply support this statement. One of the commonest and best

known among these survivals is the reservation, in so many charters of our states and of foreign countries, relating to the use of the railway track by different and, perhaps, competing transporters. A few American charters distinguish between "toll" and "transportation," charging, say, two cents for toll and three cents for transportation going from north to south, and two cents for toll and one cent for transportation going from south to north. The published legal schedules of France, to-day, separate the "right of toll" from the "price of transportation," so that a shipper who pays, say, a total of five francs freight charges, meets in that single payment two charges separately listed in the schedule, but practically constituting a single charge. The *droit de péage* represents the returns to the capital employed in construction and maintenance, while the *prix de transport* represents the remuneration of the rolling stock. This distinction in French law is theoretical, of course, and not observed by the public. Were several transporters to use the same track, it would doubtless have practical significance. The declaration of public utility, legally required in the early laws of a number of our states before a charter could be granted, is also retained in the French railway code of the present time. A considerable number of the earlier American charters contained preambles, a custom initiated in England and preserved both in its original and modified forms in other countries. The downfall, in America, of the custom of embodying a preamble in a railway charter removed the last vestige of restraint and was contemporaneous with the indiscriminate granting of charters by our legislatures. The preamble usually set forth the reasons why the project under consideration should be promoted, and upon the validity of the statements made in

the same, the charter was granted. The protracted parliamentary debates on the Liverpool-Manchester railway bill, centered about the preamble. In only a few of our states does the law require deliberations and hearings of a preliminary nature before a full charter is granted. In this lies one of the most serious defects of American railway charters, absence of provisions to guard against the chartering and construction of useless and harmful railways, which has repeatedly been discussed by men interested in railway affairs in all parts of the country. Something more comprehensive is needed than a bare provision prohibiting the building of parallel or competing lines—ridiculously defined in a number of charters and laws—within a specified term of years, found in many charters and nearly all the general laws of the states. Is it not possible that the practices prevailing in many foreign countries, requiring certain preliminary proceedings before a complete charter can be granted, may be of value to us? Japan seems to have embodied the results of foreign experience in a recent law with such elaboration as to deserve a moment's attention. According to Japanese law the railway franchise is separated into three distinct parts, the first of which may be completely separated from the two following. These three parts can be indicated by the terms preliminary, construction and operating charters. The preliminary charter is granted on the basis of a certain estimate which the franchise seekers must submit to the public authorities. It authorizes the projectors to make the necessary surveys and detailed estimates of costs upon the approval of which a permanent charter may be granted. After the road has been constructed, equipped, and duly inspected, an operating or business charter completes the granting of the fran-

chise. Without attempting to pass final judgment upon the Japanese scheme, is it not possible that the principles underlying the same may have some value for us? It would probably do away with much of the secrecy and underhanded work which so often accompanies the granting of charters in this country. Every step could in this manner be made public. The choice of a route, the character of the road, and the concessions made to the state could be thrown open to competitive companies, and a permanent charter granted to that organization which should offer to the public authorities the most advantageous conditions; and so on.

The preliminary charter under such or a similar system would take the place of that section of the old charters which empowers the company to enter upon lands for the purpose of making surveys and estimates. An indefinite number of competing persons and companies might secure this privilege, although in case of mere extensions of existing lines the situation would probably in many cases exclude all companies except the one in possession of the field. But there are many sections of our country in which the network of railways is still so far from complete that a better system of granting charters may be of great service in the future. The preliminary charter would accomplish much more than the old preambles could ever effect, because of the complete separation of the preliminary from the permanent grant of the franchise, which under the old system were accepted or rejected together. Before the construction charter could be issued, the public authorities would be in possession of one or more estimates of costs and probable income from traffic, together with the obligations which the respective companies are willing to



undertake in behalf of the state. There could be no blind play with respect to the route, for this would have to be described mile for mile from one terminus to the other. Complete maps and profiles would be publicly exhibited, and all the interests affected given an opportunity to be heard. Existing railways would be protected because no permanent charter could be granted until the usefulness of the projected road had been demonstrated, and its influence upon existing industries carefully considered. Having before them accurate estimates of costs, the amount of the capital stock could be intelligently fixed by both company and the public authorities. The hasty and feverish manner in which charters have so often been granted in the past could no longer prevail, to the incalculable benefit of both the railways and the public. The permanent charter would finally prescribe the organization of the company, route, amount of capital stock, and other individual and local matters which cannot prudently be incorporated in a uniform general law which, together with the special charter, would constitute the complete railway franchise.

Hand in hand with the suggested revision of our railway charters and the enactment of uniform general laws, must go a thorough recasting and unification of our present, almost indescribably chaotic, commission laws; if, indeed, these have not already been included in what has been said with respect to general railway laws. The writer does not forget that some of our laws, those of Massachusetts and of several other states, for instance, have already reached a high level of advancement, and if the railway legislation of all our states—especially that relating to the granting of charters—could be brought up to the Massachusetts level, a long step forward would have been taken; but if any one doubts the

justification of so emphatic an expression as "indescribably chaotic" let him spread out before his eyes a comparative exhibit of these laws and all uncertainty will be removed.

Another feature of foreign charters is the recognition, in railways, of different degrees of importance to the public, and an acknowledgement of these differences in the provisions of the charters and in the laws applying to them. Taking the general laws and charters of the United States as a whole, it may be asserted that the law places relatively unimportant local railways on the same footing with those which are most important. The charter of a trunk line may be an exact duplicate of that under which a line connecting several villages is operated. It is needless to add that a few exceptions, such as provisions relating to taxation, must be made. France, Italy, Switzerland, the countries of Germany, and England even, recognize in charters and laws a rational classification of railways based upon their relative degrees of importance. Would it not be profitable for American law-makers to consider the advisability of adopting one type of charters for local (perhaps intra-state) railways, and another type for those which go beyond the limits of one state? Would not a clearly defined division of functions in this respect between the federal and state governments lead to beneficial results? Could not the much needed uniformity among the several states be encouraged in some such way as this? Why should not a railway be authorized to do business under a local charter until it becomes a part of a greater system, and then cause it to comply with the provisions of a federal charter? The Interstate Commerce Law seems to suggest such a line of action.

The present lack of uniformity in both charters and general laws of the various states must be irritating and exasperating to those railways which make an attempt to comply with their provisions. What man of sound mind would expect to maintain his health and bodily vigor if he were to subject different parts of his body to different and opposite methods of treatment at the same time? Yet this is exactly what has been done and is being done to our railways through our checkered and many colored charters and laws. To those who believe that the time may come when public ownership will be a question of the day, this lack of uniformity and harmony in charters and laws has great practical significance, for it is difficult to see how an elaborate practical program can even be made out, not to speak of its execution, before substantial uniformity has been brought about. Our national and state commissions, both individually and in convention, have repeatedly emphasized the urgent need of uniformity in accounts, only the beginning traces of which are found in the charters and laws of several states. However, it is possible that practice has outstripped law in this respect, and that greater uniformity exists than is indicated in an analysis of legislation, special and general.

Another feature which obtrudes itself upon one's attention in an analysis of railway charters and laws, and which is largely the result of the chaotic condition of legislative enactments, is the lack of adequate administrative machinery. What if a charter *is* good? What if the general incorporation laws *are* strong? Who has the efficient power necessary to enforce compliance on part of the one against the ninety and nine railways that, perchance, would voluntarily meet all reasonable

requirements? It is said that in railway affairs the weakest may rule the strongest. One looks in vain for charter provisions which will make this impossible. It seems that legislators were loath to place discretionary powers in the hands of administrators, and as a result we have that long list of hard and rigid provisions relating to long and short hauls, pools, consolidations, rates, etc. In addition, we find similar provisions more or less comprehensive in their scope in the constitutions of three-fourths of the states, while in a few states the constitution contains practically all the railway legislation there is. Considering the nature of the railway business on the one hand, and the difficulty of amending constitutions on the other, is not the embodiment of railway clauses, beyond a few simple and general principles, in our state constitutions of doubtful utility? This lack of elasticity is a serious defect in our charters and laws, and is, perhaps, partly if not entirely the result of inadequate administrative machinery in which proper adaptive elements might have been incorporated.

Another lesson which foreign charters and laws may teach us lies in the protection of public interests and the representation of social and economic interests in the conduct of railways. With the exception of England, all the leading foreign countries provide ways and means by which every industry, trade, or profession may regularly exert influence in its own behalf. Prussia, Switzerland, and Japan provide for a system of advisory councils by law, and other countries have established similar representative organs through the agency of administrative orders. The existence of such councils in this country, reflecting the opinions and interests of all classes, would probably do much to overcome

that feeling of helplessness on part of an aggrieved public which one is likely to feel in a study of American railway charters. Both the railways and the public would be the gainers, because each would thus learn to understand the other through regularly constituted channels.

This paper does not primarily concern itself with the actual workings of the charters and laws, upon the analysis of which the generalizations here advanced rest. Given identical laws in different states and countries but different administrative bodies and methods, the practical effects may vary widely. French courts, for instance, have declared a crated plow baggage, and have absolved several merchants, who had been caught in a slight wreck and who had ordered a special train in order to reach on time a fair for which they were bound, from payment for this train. In the United States, courts refuse even the statements of facts made by our commissions. It is clear that the same laws in France and in the United States might bring about varying results.

The concluding paragraph of this paper may well be devoted to expressions of opinion of railway officials formulated in letters written by them. Communications received from over one hundred, relating to railway charters, show practical unanimity in the demand for uniformity. A tabulated analysis of railway charters and laws shows at a glance the utter lack of agreement among them, and it is a matter of satisfaction to be able to bring to the support of a student's conclusions the combined authority of leading railway men. One official suggests that the federal government grant charters, and that all applications for charters be referred to a non-political commission for examination.



Another asserts that stability and highest efficiency can never be obtained until all the great railways of the country have been placed under substantially a single organization, guided by one broad, general policy. Then, he thinks, discriminations and kindred evils will cease to be a necessity of the situation. Several emphasize the necessity of re-organizing railways under uniform general laws and of expressing all the provisions of the franchise clearly, and making them equally binding upon the companies and the public. Every point of importance should be fixed in the charter, and minimum as well as maximum rates should be established. Others emphasize the importance of prescribing by law all the physical conditions of a railway, and many deprecate the absence of legal provisions against the construction of railways for purposes of blackmail and speculation. A few point out the absence of statutes making legal and constitutional provisions effective. In short, aside from isolated cases, no opinions were expressed and no lines of action indicated by the railway men who touched upon the subject at all in their letters, which are not in substantial harmony with the conclusions suggested by an independent, objective analysis of existing railway charters and general laws.

## DIFFICULTIES IN ADJUSTING RATES.

BY PROFESSOR HENRY C. ADAMS.

[The paper read by Professor Adams, which is inserted in these Proceedings under the above title, was a portion of a paper entitled "The Outlook for Federal Railway Legislation." After passing in rapid review three possible lines for the development of railway legislation, each of which received extended consideration, certain points were suggested as necessarily included in any bill which should aim to legalize railway pools. It should not be understood that a statement of these points commits the author to the general policy of railway pooling. The portion of the paper read was as follows:]

It would be no light task to draft a bill for the legalization of railway pools and it is not my purpose in what follows to attempt so ambitious a task. There are, however, a few points respecting which no serious controversy is possible and it may add to our appreciation of what lies in the program of legalized pooling if we refer very rapidly to some of these points.

First.—The first question which presents itself pertains to the scope of the pool. Shall it cover all traffic or apply to competitive traffic only? Upon this point the natural answer is that the pool should confine itself to those classes of freight which experience proves to have caused the disturbance in railway rates. It would not seem wise, at the outset at least, to undertake the establishment of a centralized system of railway administration covering all classes of freight, even though this establishment should be placed under governmental supervision. Should Congress be disinclined to assume the responsibility of enumerating the different kinds of freight that might be pooled, no harm would arise should the law express itself in the form of a general permission, for it is not likely that the carriers would

avail themselves of the right to pool except in the case of those classes of freight likely to be carried at cut rates. The point is this: a pooling law should not undertake the establishment of a new system; it should rather confine itself to the correction of abuses in the existing system. The only objection to this conclusion would come from those who are interested in local rather than through traffic and who fear that the former would be burdened with high charges for the support of through traffic. It is doubtful, however, if this is the manner in which the adjustment of competitive traffic through pools would operate. Should this prove to be the case it would furnish a reason for new legislation.

Second.—The agreements between the railways which by the contemplated law are to become legal contracts, should, in the second place, be published before going into effect and should be drawn according to a form prescribed by the law itself. This agreement should state the class of freight to which it applies, the rate established, the percentage of business assigned to each member of the pool, indeed, all the essential points agreed upon. The advantage of a definite form of contract is in part the general advantage that always arises from uniformity of procedure, but there is in addition to this a very particular and imperative need of a prescribed form of agreement. Should pools be legalized, care should be taken lest the agreement cover so many points as to obstruct the development of the service. An agreement, for example, that a road should not use improved equipment, or that it should not carry freight more rapidly than at a specified rate of speed, or indeed any agreement by which one road is handicapped in its competition for service with an in-

ferior road, would be against the public interest. It is claimed by advocates of pooling that competition through improvement of the service continues notwithstanding the existence of the pool, and it should be the aim of Congress in drafting a pooling law to guarantee the continuance of such competition. This it can do most effectively by enacting the form of the pooling contract.

Third.—Not only should the form of the contract be provided by law, but the period during which a pool is to continue should be determined in the same manner. The necessity of this lies in the very nature of the argument urged in favor of pools. Their only defence is that by means of them stable industrial conditions may be established. Under the present law the extreme limit which a shipper can calculate upon is three days. Nothing could be more detrimental to the satisfactory progress of industries or more embarrassing to the principle of competition in its effort to work justice between minor industries. A year at least, as is generally the case in European countries, ought to be guaranteed a legalized rate, and it should be noted that most of the considerations urged by railway attorneys against so extended a time would be set aside by the fact that the rate is legalized.

Fourth.—Another point which the law for the legalization of pools must decide pertains to the making of a rate. Proceeding upon the assumption that the carriers should not be deprived of their initiative in the matter of railway charges, the question yet remains whether their decision should be final, or whether the approval of the Inter-State Commerce Commission should be required before the rates are put in force. This is a question which has been greatly discussed and upon which it is not possible to say that there is any very clearly

defined opinion. If the writer may be permitted to express his opinion upon this question, the approval of some body whose duty it is to inquire into the inherent utility and justice of the proposed charges should be made a necessary step in the legislation of a schedule of rates. One of the chief evils of the present situation is that railways are not operated as a system. The relation of the industry of transportation to the life and development of the nation is never consciously present to the minds of railway managers in their decision of specific questions. It is true that the competitive struggle for traffic has done much in the past to direct these decisions along the line of public interest, but the public interest has never been accepted as a permanent consideration, much less a controlling influence, in the administration of railway property. Now it is proposed to exempt competitive traffic from the influence of a competition, so far at least as price of service is concerned. The power of government is invoked to make a monopoly of a certain class of traffic. Competing lines are to be consolidated into a system. The result would be same as though Congress should charter a new corporation for the management of all competitive business within prescribed territories. Under such considerations is it not reasonable for government to reserve to itself the right to veto any proposed contract which for any reason is not in harmony with the highest interests in the state? Many questions would present themselves to a body standing for the public interest, when contemplating a proposed schedule of charges, that would not be considered by men who regard property merely as an investment. If the government is going into partnership with the railways by lending to the carriers the use of its sovereign power of monopoly, it ought at least to have a seat on the Board of Direction.



Fifth.—The accounts of railways, parties to a pooling agreement, should be consolidated, so far as they pertain to competitive or pooled traffic and the Interstate Commerce Commission should be authorized to prescribe the rules of such accounting. Accounts are records of transactions and there is no possibility of controlling transactions except through access to accounts. The object of pooling, it must be remembered, is to secure stability of rates, and, even though pooling be legalized, it is not certain that parties to the agreement will maintain the rates. It is true that they who break the contract incur the risk of civil suit, but the immediate gain may be great while the penalty may be uncertain. The conclusion is evident that in order to secure stable rates, under pools, it is not only necessary to authorize a pooling agreement between the carriers, but some means must be provided by which a fracture of agreement becomes immediately known to all parties concerned, and for the attainment of this end there is no means other than the creation of common accounts for all pooled traffic. The law which establishes pooling, therefore should oblige the roads who avail themselves of its advantages, to create an outside accounting agency recognized as the representative of all but dependent upon none; and such is the nature of the public interest in this agreement that the government ought to establish uniformity in the organization and administration of these bureaus and publicity of the accounts kept by them.

Doubtless other points would arise should Congress ever seriously enter upon the discussion of the legalization of railway pools, but these mentioned are at least adequate to suggest the line along which railway legislation would be likely to develop under the influence of the pooling idea.

# THE LABEL OF THE CONSUMERS LEAGUE.

BY MR. JOHN GRAHAM BROOKS.



The trade union label gave the first hint of the Consumers' Label. This device of the labor organizations is purely of American origin. It appears first in 1874. It has spread to Canada, and, in the single instance of the hatters, has, I believe, gained some footing in England. The chief reason for its adoption in this country lies doubtless in the intenser and more embarrassing forms of competition under which our labor unions suffer. The constant pressure through immigration of a great multitude of half-skilled laborers representing lower standards of life, and at the same time introducing race antagonism has driven the American trade union to catch at every weapon for its defense. The label is one of these weapons. Its first appearance was in California during the "sand lot" agitation against the Chinese. In 1868 some eleven thousand Chinese landed on the Pacific coast. In 1872 a San Francisco firm of cigar makers took on a number of Chinese laborers. The number which came into direct competition with the work of any trade union was relatively slight, but, as with the product of prison labor, it was felt to be of great importance. Against the rat-shop, cooly-made cigars of California, the cigar makers first struck.

But how should a sympathizing public know which were rat-shop and cooly-made cigars, and which the product of "American labor with its superior standard?" To meet this practical difficulty a label was adopted, not the blue label in present use, but a white one, to show the buyer that he was patronizing white labor. It was thus against the competition of a low-class unorganized labor that this weapon of the label was first directed. Its appeal was to the smoker: "Buy no cigars except from the box marked with the trade union label. Thus you help to maintain the white standard as against the cooley standard of life." At the Chicago Convention of 1880 new stress was laid upon the fact that the unions were suffering, not only from Chinese labor, but from prison and tenement-house competition. The extraordinary success of the label among the cigar makers raised the question of its adoption with other unions in 1883 and 1884. The powerful organization of the hatters introduced it in 1885. In the ready-made clothing industry the label appears in 1886. From 1891 the label was taken up by printers, lakers, wood workers, harness makers, iron molders, broom makers, coopers, photographers, shoemakers, custom tailors, mattress makers, horse-shoers, brewers, egg inspectors, and barbers (who display their label in the window). Labels are found even upon coal carts, indicating that union men only are employed in distributing coal.

Among the cigar makers, hatters, and printers the label is an influence of very considerable importance. The label of the printers, for example (adopted November, 1891), is in use in more than 200 cities in the United States and Canada.

Laws protecting the cigar makers' label have been adopted in at least twenty-eight states and territories.

That it has become a force is proved conclusively by the constant attempts to counterfeit it. The cost for protecting the label against these counterfeits has risen as high as eight thousand dollars in a year.

Two years ago in the *Bulletin of the Department of Labor* (3:215), a writer made the following statement :

"In trades like that of the garment makers, a label that should be confidently known to stand for definite improvement in the life of the worker, would attract a powerful public sympathy. There are many indications at hand that a growing public interest will soon demand from some source—from manufacturers, storekeepers, voluntary associations like the Consumers' League, or from trade unions—a label that shall be an absolute guarantee that the goods upon which it is placed are not made in sweat shops. Every increased effort of the unions to have their label a sure symbol of higher standards of life and work among the wage earners is certain to command more cordial and more helpful recognition from the general purchaser."

From the beginning the hope was cordially entertained that the Consumers' League could adopt as its own the label of the trade union. Practical reasons which could not possibly be overcome, alone prevented this. Investigation showed early that almost nothing bearing the trade union label was in the least likely to be worn by the people who made up the Consumers' League. It was almost exclusively a woman's movement and the whole body of what is known as "white goods," large portions of which are made in sweat shops, had no trade union label upon them. To have demanded the trade union label on these goods would force the Consumers' League to insist that every manufacturer of these products should forthwith unionize his shops. This would have killed the movement at the start. If we had been buying cigars we could have taken that label ; if we had been buying hats or doing printing, we could have called for those labels. Our

League has indeed conscientiously ordered its printing from union shops, but upon the wide variety of products, where our first steps had to be taken, there was no alternative but to have a label of our own. Yet for nothing have we striven harder than that our movement should not antagonize at a single point the earlier label. The first form of the Consumers' League began in New York city in 1890 and 1891, through the efforts of Mrs. Lowell and Mrs. Nathan. Its purpose was to correct certain obvious evils in the retail stores. They selected two stores in which the treatment of the employes seemed to them more than usually humane, and, setting forth the good points of those stores, they wrote to fourteen hundred store-keepers on Manhattan Island enquiring whether they wished to arrange the work in their stores in conformity with the better standard, and have their establishments included in a proposed 'white list.' Out of fourteen hundred only *two* responded favorably, and from this modest beginning has grown the present 'white list' of the Consumers' League of New York city embracing nearly forty leading stores.

The real evils of the sweating system are, however, not at the stores but where the goods are made. The aim of the National League, started last year, is to use the retail store merely as an agent through which the manufacturing processes can be reached. The National League deals, therefore, directly with the factory. This explains the necessity of our label. Such a device must be affixed at points to which the most definite tests can be applied. The label could not be given to the retail stores, as no man in it from the manager down knows where all his goods are made. This is possible at the factory. Through the agency of the local factory inspectors and the trained inspector of the Consumers'



League it can be easily determined where and under what conditions the clothing is made. These facts are first ascertained, and if our conditions are met, an opportunity is given for that manufacturer to use the label.<sup>1</sup> Our contract stipulates :

1. That all provisions of the State factory law are to be complied with ;

2. That the label is to be used only on goods manufactured by said manufacturer on said premises ;

3. That no child under the age of sixteen years shall be employed or permitted or suffered to work on such premises ;

4. That no person shall be employed, or suffered or permitted to work in said factory longer than ten hours in any one day or sixty hours in any one week ; or after nine o'clock at night, or before six o'clock in the morning, excepting only the night watchman ;

Also to allow the duly accredited representatives of said League to inspect said factory at any and all reasonable times, and to comply with all reasonable requests made by said League for improving conditions ; otherwise to discontinue the use of the label forthwith, and for failure to comply with this demand the manufacturer to pay as liquidated damages to said League the sum of one hundred dollars.

The following statement concerning the label has been sent out to a large number of manufacturers.

" The National Consumers' League, a federation of local leagues established in New York, Massachusetts, Pennsylvania, and Illinois, is organized for the purpose of promoting intelligent and effective co-operation among purchasers in demanding goods made under right conditions in preference to the sweatshop product.

The National Consumers' League grants the use of its label to manufacturers who furnish working con-

<sup>1</sup> The label was registered Nov. 17th, 1898, at the State House, in Boston. The registration consists in filing a certificate with the Secretary of State. This certificate contains a copy of the label and, also, a description of it in written words, also, the date at which the label was adopted by the League and our statement as to the purpose and constituent parts of the National League.

A different certificate is in our possession, sent from the Secretary of State of Massachusetts, setting forth the fact of the registration.

This method was adopted on the recommendation of our lawyer.

ditions in compliance with the requirements of its standard, and urges upon purchasers the advantages attaching to goods that carry its label.

The manufacturer derives advantage from the use of the Consumers' Label, through the patronage of an organized body of enlightened customers; and through wide and persistent advertising without expense to himself.

The purchasing public derives from the use of the Label the assurance that goods so endorsed have been found to be made in clean and wholesome factories, free from contagion and vermin, and under the best conditions known in the trade at the time."

Through the agency of the press, lectures, leaflet literature, by the help of women's clubs, college settlements, etc., pressure is then put upon the public to ask at the retail store for those goods that bear the Consumers' Label. If the demand is considerable enough and persistent enough, the manufacturer will find it for his economic advantage to make his product on his own premises. The retail store will find the same advantage in insisting that their buyers avoid the sweat shop product. The public never yet has had a chance to know where and how its garments were made. The label is an instrument to make such knowledge possible. The label is registered and a definite contract entered into between the League and the manufacturer desiring to use it. Several manufacturers have already adopted it and several retail stores in Boston and New York have already ordered labelled goods.

Two years of very hard work have been given to getting the label upon the market. The form of its registration was full of perplexities. The form of the contract between the manufacturer and the League was

even more difficult. Even now the practical use of the label, if there is considerable call for it, will excite antagonism from the large department stores which do a portion of their own manufacturing in admirable factories. "Why," they ask us, "should we not have the label upon those things which are made in our own model workshop?" The very formidable objection is that such product would be dumped in the store with tons of sweat shop goods. The League has no means at its disposal to distinguish between these two products when once they are thrown together. Without impeaching the good faith of manager or clerk, the most obvious practical difficulties in keeping the factory goods apart from the "sweated" goods would rob the label of its chief value. The one fatal weakness of the trade union label, in the garment trade, has been of this character—that it did not stand clearly enough for the thing it claimed to represent. Unless our label can offer absolute assurance that it does not appear on sweated garments, its value is gone. Thus, at the risk of slower success and occasional hostilities, it will prove, we believe, a wiser policy in the end to guard the label from this grave risk.

Manufacturers at the great centre of this garment business, in and about New York City, have proved to be extremely sensitive about having the public know their relations to the sweat shop. No factory inspector has a better record for fearless investigation than the secretary of the National League, Mrs. Florence Kelley. Yet she finds it impossible to get from the New York inspectors the actual lists of places to which the manufacturers send their garments to be made up.<sup>1</sup> There is

<sup>1</sup> The law required in 1893 that the manufacturer must keep a list of addresses to which garments are sent to be made up. [Chapter 173 of Laws of 1893, amending Chapter 409 of Laws of 1886.] This was

some influence here powerful enough to determine the action even of inspectors that are supposed to represent distinctively "labor interests." This suggests what we have clearly conceived from the start, that the law must eventually deal with the sweatshops. Meantime it is believed that the League can render effective service in creating the public opinion necessary to make such law and its enforcement possible.

All that is essential to the principle upon which the League rests, has already wide practical recognition. Not only have important bodies—governments, cities, London School Board—come to recognize the principle, but where the discussion has gone on long enough, as in England, we find the idea put to practice on a scale that constantly widens in its scope. It does not take the form of leagues in England, but works chiefly through the co-operative movement. The Women's Guild, with its 12,000 members, is constantly teaching the relation between right buying and right conditions of labor.

Professor Gide's active interest in co-operation in France is closely bound up with his hope of teaching and realizing the consumer's duty in this way. He says: "Our very object as co-operators is to make a way for the doing of our duty as consumers. We deplore the fact that the buyer now exercises his power clumsily, ignorantly or with cowardice. This initiative of the

amended later to be a *complete* list in *English*, and still later it was amended again to be furnished in a *correct* copy to the inspector on demand. [Chapter 181 of Laws of 1899.] The National Consumers' League has been trying to have these lists gathered by the New York inspectors and treated as public records. This is not yet done in any effective or systematic way in New York. (It has been admirably done in Massachusetts for years.) The Label cannot be registered as a trade mark at Washington. We have, also, a written opinion of the Attorney General of New York State to the effect that we cannot register the label in New York; but that it is protected under the common law.

consumer is a fact of the first importance (un fait du premier ordre) to which we have often called and shall continue to call the public attention." The fact that co-operation has hardly begun among us leaves no alternative but to organize public opinion through voluntary groups for the purpose of arousing attention to the new duties, and making it worth while for the stores to meet the demand with heartiness and sincerity.

The Canadian Prime Minister Laurier said in 1897: "I do not want to see that system of white slavery (sweating) prevail in Canada." "If we have a duty to perform it is that we should make an effort to stamp out that sweating system in our own country." "The Postmaster General has taken the initiative in that respect and with the sanction of the Government, he has decided that in every contract given by the Post Office Department there shall be a provision which shall make it impossible for that contract to be farmed out," etc. In the United States, public opinion is so little developed upon this point that vast quantities of army clothing are reported from investigators to have gone straight to sweat shops.

The question seems a fair one. Is it more cranky for voluntary associations to attempt the enforcement of such a principle than for governments or municipalities? Any generalized practical recognition of the consumers' duty must in its very nature take on voluntary as well as legal form. That the life of those who make our garments should be at least as tolerable as it is in the better type of factory is a very modest aim. It is believed, if the Label rigorously stand for this better working life, the increasing demand for the label at the retail store will assure such economic advantage to the improved standard as steadily to extend its influence.



## THE PLANS FOR THE TWELFTH CENSUS.

BY WALTER F. WILLCOX.

The "Act to provide for taking the Twelfth and Subsequent Censuses" was passed March 3, 1899, the last day on which it was practicable to pass such an act, and the anniversary of the day on which ten and twenty years before the laws providing for the Eleventh and Tenth Censuses had been enacted. This Association, in common with other bodies interested in census work and with various committees of Congress, had made efforts to secure legislation on the census at an earlier date and thus to allow an adequate time for preparatory work. These efforts were not baffled by Congressional inertia or indifference, for in no previous decade has Congress displayed so much intelligent interest in the census, but the various bills urged by successive census committees perished in a fierce struggle for existence against the enormous amount of other business.

The law when passed, however, was a great improvement upon its predecessors and deserves to be ranked as one of the four main census acts in our legislative history, the others being those of 1790, 1850, and 1879. A brief statement of the main innovations introduced by the law is necessary to an understanding of the plans for its execution.

Between 1790 and 1870 inclusive the Federal Census was taken by United States Marshals. They reported in 1790 directly to the President, but from 1800 to 1840 inclusive to the Secretary of State. In 1849 the Department of the Interior was created and the supervisory powers exercised by the Secretary of State over the

Census were transferred to the new Department. By 1879 it had become necessary to create by law a new office in the Interior Department called the Census Office with a Superintendent at the head. The Superintendent, however, was strictly subordinate to the Secretary of the Interior. All appointments and removals in the Census Office were made not by the Superintendent but by the Secretary of the Interior. In an office where work must be done under high pressure, and where it is often quite as necessary that decisions should be made quickly as that they should be made wisely, such a dependence on the head of a department burdened with other duties entailed injurious delays. The new law makes the connection between the Census Office and the Interior Department far less intimate than heretofore. The head of the Census Office appoints all but one of his subordinates and that one is appointed by the President. By the terms of the laws of 1879 and 1889 it was the duty of the Superintendent "under the direction of the head of the Department to superintend and direct the taking of the . . . Census." By the terms of the law of 1899 it is the duty of the immediate head of the Census Office "to superintend and direct the taking of the Twelfth Census" and the words "under the direction of the head of the Department" no longer occur. It was, therefore, more than a verbal change when the title of the head of the Census Office was made no longer Superintendent but Director.<sup>1</sup>

<sup>1</sup> "It will thus be seen that, so far as the direct language of the act is concerned, the operations of the Director of the Census and his subordinates are in no respect made subject to the supervision, approval, control, direction or modification of the Secretary of the Interior. He is not authorized or directed to approve the selection of appointees and employees, nor to approve the plans formulated for the taking of

Under the law of 1889 there were no officers occupied with statistical work between the Superintendent and the chiefs of division. The former oppressed by multifarious duties was compelled to leave the management of each division largely in the hands of its chief, and there are obvious difficulties to getting a man on short notice, competent and trained to direct and organize the field and office work of hundreds of employees, willing to take a temporary position, and ready to accept a salary of only two thousand dollars. Under the circumstances one is surprised that the average ability of the chiefs of division at the Eleventh Census was so high. By the present law two grades are introduced between the Director and the chief of division. The chief of division becomes the administrator and manager of the division under the chief statistician, and by relieving his superior officer of many details leaves him with more time to plan and organize his work. The Assistant Director supervises and co-ordinates the statistical work of the several divisions in the effort to distribute the resources of the office wisely, and to improve the plans of each division by constructive criticism, and by bringing them into harmony with the entire plan. The wisest relation of the parts is a matter of constant adjustment in an office so new and unfettered by precedents, but it is already clear that the new law permits and encourages a much greater unity of plan than has heretofore been possible.

Probably the most momentous change introduced by the census, nor to approve contracts for supplies, rental of quarters, etc. Not being specifically directed by the act to perform such supervision, the question arises as to whether there is any other provision of the general statutes which imposes such power or duty upon the Secretary. I am unable to find any." Extract from opinion of the Attorney General, March 28, 1899.

the new law is the division of the subjects of census inquiry into two parts, the first to be taken and finished at once, the second to be postponed until the others are completed. All information which it requires the aid of enumerators all over the country to secure must be gathered, tabulated and published before July 1, 1902. All information derived from other sources and heretofore included in our census is not to be gathered and published until later. For example, it is contrary to the practice of the American Census Office to ask the people through enumerators about their religious belief or their membership in any religious body. The information gathered on this head by the Eleventh Census was derived from the officials of the various church organizations. Such an inquiry can be made independent of and later than the great count of population and is accordingly to be postponed. The same is true of inquiries into the social statistics of cities, into public debt, valuation and taxation, and into such special lines of business as the telephone, telegraph and street railways.

Perhaps the most immediate duties of the Census Office when it was organized were those of preparing places in which its more than two thousand clerks and its fifty thousand enumerators might work. The former has been met since August by the construction of a building into which the office is now (December, 1899) moving, the latter by the division of the country into nearly fifty thousand enumeration districts.

The work of the Eleventh Census was seriously hindered by the necessity of distributing its force through several buildings often some distance apart and always built with no reference to the needs of a census office. The office could not legally spend any of its appropriation in putting up a building, for no such

use of it had been specifically authorized, but it did succeed in inducing private capitalists to put up a building substantially according to plans furnished by the Assistant Director, the capital being protected by a contract to lease the building for five years. The new Census Office extends over more than two acres at the northwest corner of the Capitol grounds, and most of it is but one story high. This part is largely occupied by two main rooms where statistical tables will be made from the raw material furnished by the enumerators. The front is of two stories and divided into smaller rooms for the administrative and statistical officers and their clerical staff.

To a student unfamiliar with the preparatory work for an American Census perhaps the most striking fact connected with the office is the importance of the geographical division. Through these early months it has been the largest division in the Census Office and its work serves as a foundation for the rest.

To the historian, lawyer or statesman the population is the primary fact and the land surface is that area over which the population exercises sovereignty. But to the Census Office the land surface is the primary fact and the population is that part of humanity which resides on it. The count of population results from adding the number of residents in each of fifty thousand enumeration districts, the census of farms results from gathering the farm statistics in each district, and the same is true in a measure of the vital statistics and the manufacturing returns. The enumeration district or, in office parlance, the E. D., is the geographical unit of the census. But the existing territorial divisions do not meet the office needs and therefore new ones have to be made, utilizing however as far as possible existing boundary lines.



For census purposes the recent acquisitions of the United States in the East and West Indies are not included, and the only territory over which our Federal Census is to be extended for the first time in 1900 is the Hawaiian Islands. A census of Cuba and Porto Rico is now in progress but is in charge of the War Department. In this work the Census Office has gladly co-operated so far as desired and the results obtained in the islands will be so tabulated as to be comparable in the main with the results in the United States.

The essential requisites of an enumerator's district are (1) that it be small enough for the slowest enumerator appointed to work over within the time allowed him, two weeks in a city and a month elsewhere; (2) that it have boundaries so well marked and known that the enumerator will have no difficulty in keeping within them; (3) that these boundaries agree so far as possible with the political divisions of the state, such as counties, townships and cities, by which the population must be reported. At the last census these districts were made in the first instance by the supervisors and reported by them to Washington for criticism and modification. But the supervisor is not so well able to apply these tests as the central office, where the records and experience of previous censuses are gathered, and where a uniform plan of division can be followed with modifications only as the diversity of local conditions requires. Hence in the Twelfth Census for the first time the division into E. D.'s was made at Washington. The first step was to divide the United States into three hundred supervisor's districts. Under the law the boundaries of these districts were to conform, whenever practicable and desirable, to those of Congressional districts. There are 292 supervisor's districts and 352 Congressional districts in

the states. In 160 cases the two exactly coincide, while the other 190 Congressional districts fall into 132 supervisor's districts, but in a large proportion of the latter cases the difference in boundary between the two is insignificant. A supervisor's district must be so arranged as to favor rapid and easy communication between the enumerators in the field and their superintendent, and this necessity often led to departure from the lines of Congressional districts. For example, in Florida the two Congressional districts are divided by a line stretching from the northern boundary to the point of the peninsula. The two supervisor's districts are divided by a line about at right angles to this and separating the peninsula from the continental part of the state. Hence the supervisor's districts are much the more compact.

While the first steps in delineating the E. D.'s fell to the Census Office, it is obvious that its plan of division might be faulty as a result of lack of information about local peculiarities. This local knowledge is supplied by the supervisors who are, therefore, asked to comment upon and criticize the plans of the geographer before they are finally approved and adopted. The division of the country into these fifty thousand E. D.'s follows closely the most available political boundaries. Thus no supervisor's district extends into more than one state even where the state line is transcended by a population group as between Kansas City, Missouri, and Kansas City, Kansas. No E. D. extends into two counties even when this boundary divides a town or city into two parts. Within the county the E. D.'s are bounded by local municipal boundaries subject to the condition that the district must contain no more than four thousand inhabitants and yet enough to occupy the enumerator not very

much less than the limit of time allowed him. In the cities the population whose voters cast their ballots at one place has usually been made a single enumeration district subject to the conditions mentioned.

After providing quarters for the office force and defining the territory of each member of the field force the next step was to select officials. The requisite here was to secure the most efficient and capable subordinates by methods calculated to win the approval, co-operation and support of Congress and the country. I have no special knowledge regarding the success with which the latter condition has been met, but I do know that the force as a whole is well organized, zealous and energetic, and I am glad to assure you that in efforts to secure the highest ability and training available in the clerical staff of my own division I have met nothing but the most cordial encouragement and support, and to express my belief that others in the Census Office have had a similar experience.

For the first time in our national experience an effort will be made to test the would-be enumerator's ability to perform his duties before he is appointed. I believe this effort is practicable and will be effective. In that case it should mark a decided step in advance in our census work, for office work can no more cover the defects of field work than a stream can rise above its source.

The field work of the Census done by enumerators begins and ends under the law with the month of June, 1900. It divides the work in Washington and in the offices of the local supervisors into two parts, the work of preparation done before June, 1900, and the work of reception, tabulation, presentation and interpretation done after that date. The work of the census

enumerator consists essentially in asking questions of every family and at every farm and manufacturing establishment in his enumeration district and writing the answers on blank forms or schedules prepared at Washington and sent him through his supervisor along with printed instructions which he is to follow in making his entries. Probably no part of the preliminary work, therefore, is more important than the preparation of these schedules on which the answers are written by enumerators. At the Eleventh Census each enumerator was obliged to carry from ten to thirteen kinds of schedules and the task of mastering and following the instructions was not an easy one. Complaints from the field were common and vigorous and there is little doubt that the whole work suffered because the enumerator's duties were too heavy and complex. Under the present law and the plans for its execution no enumerator will have more than four schedules to carry and to fill. Everywhere he will find people and so everywhere he must carry the population schedule. Everywhere deaths will have occurred during the preceding year, but in the registration areas, including perhaps two-fifths of the population of the United States, the information regarding these deaths to be had from the local records is fuller and more correct than that obtainable by inquiries of each family. In such places, therefore, the enumerator will be relieved of the vital statistics schedule. In cities the enumerator will seldom find any farms, and so will not need the agricultural schedule. In most cities, too, the manufacturing establishments are so diverse and the returns derived from them so complex that the average enumerator would find it difficult to fill them. Hence this duty will be intrusted in such cases to special agents. The population schedule is

thus the most important and the most generally used. The form of this blank agrees substantially with that employed in 1880, one horizontal line being given to each person and one vertical column to each question. The sheet has fifty horizontal lines on each side and thus room for answers from one hundred persons. In 1890 the queries were placed on the left, a column reserved for each person, and a sheet for each family, the so-called family schedule. The records of that census, some twelve million schedules, now fill the basement of a large building and it will probably cost \$30,000 to have them bound. If the family schedule employed in 1890 had been adopted for the present census, probably fifteen million would have been required to contain the facts regarding the population. As it is one million will probably suffice. To make the difference more conceivable I may say that the population schedules of the last census now on file in Washington include over a square mile of paper surface while those adopted for the coming census will include about one-sixth that surface. As a counterweight to this great reduction in the mass of the population schedules to be handled and stored, it must be mentioned that the space on the schedule of 1900 devoted to the answers from each person is only about one-third that given to answers to the same questions in 1890. This reduction in space may possibly affect the fullness and detail of certain answers but even if a slight loss in that direction should result it would by no means offset the gain already mentioned.

The questions asked on the population schedule have been slightly altered from those of 1890 by omissions, additions and verbal changes. The following questions asked in 1890, will not be asked at the present census :



1. Whether a soldier, sailor, or marine during the civil war (U. S. or Conf.), or widow of such person.

2. Whether suffering from acute or chronic disease, with name of disease and length of time afflicted.

3. Whether defective in mind, sight, hearing, or speech, or whether crippled, maimed, or deformed, with name of defect.

4. Whether a prisoner, convict, homeless child, or pauper.

The following questions not asked in 1890, will be asked for the census of 1900 :

1. The date of birth in calendar year and month.

2. The year of immigration to the United States.

These questions are introduced as supplementary to questions "Age at last birthday?" and "Number of years in the United States?" partly in the effort to minimize the tendency to concentrate on round numbers in the statement of age, and partly as a transition to the sounder and more correct form of asking age and years in the United States.

The following questions have been changed in form since 1890: "Age at nearest birthday" has been changed to "Age at last birthday." "Whether married during the year," has been changed to "Number of years married." Under the question "Able to speak English," the additional inquiry, "if not, the language or dialect spoken," has been omitted.

The Twelfth Census, like all its predecessors, will attempt to report the resident or *de jure* population, whether physically present in the district or not at the time the place of abode is visited by the enumerator. The office interprets the phrase "usual place of abode" in the census law, as depriving it of discretion in this matter. But an effort to count

the resident population is beset with serious difficulties, and they are increased by the date at which the census must be taken. The month of June is one in which many persons, especially in the cities, are away from their residences, and many residences are closed. This constitutes the most serious danger to the accuracy and completeness of an American census. To meet it, the enumerators in the cities next June will probably be asked to keep, in a separate "street-book," a record of the results of the visit to each house, showing which were closed and where one might hope to get information concerning the residents of such closed houses. Special enumerators, paid by the day, are then to seek at the addresses entered on the first enumerator's street book, or by correspondence, the information wanted for the family. These returns will be placed on special supplementary forms, to which reference will be made in the unfilled line on the first enumerator's schedule. Such a plan will greatly reduce the danger of omissions, but one may still cherish a doubt whether a census of the resident population, rather than one following the alternative method of counting everyone where he is found and asking where he resides, will be found permanently satisfactory. That question, however, belongs to Congress and not to the Census Office.

In order to get a better grade of enumerators than formerly, every applicant for appointment will send to the supervisor of his district, a schedule filled out with facts drawn from a printed narrative. This will be corrected by the supervisor and forwarded with his endorsement to the Census Office. This tests the handwriting of the applicant and his mastery of instructions; for his character and diligence, the endorsement of the supervisor will vouch.

No advance in the census work of any country since the Belgian census of 1846 is more important than the application of electricity to the tabulation of results, which was first made in the Eleventh Census of the United States. This method, called after its inventor the Hollerith system, will be employed in the Twelfth Census and important improvements in it have already passed the experimental stage and are likely to be adopted. By this method a card some three by six inches is used to record the facts for each person in the United States. A section of the card is reserved for the information in reply to each question on the schedule, the answer to which is to be used in the tables, and a part of each section is reserved for each possible answer to the question. Thus a narrow strip near the left of each card is reserved for the answer regarding race or color. In the census volumes, five race divisions, viz., white, black, Chinese, Japanese and Indian, are recognized and the answer to this question for every person must be entered under one or another of those five classes. Entry is made on the card by punching a little hole in the proper place. One hole, and only one, is to be made in each section, that is, the person must be of some race, some sex, some age, etc. The card is then placed in a machine and a system of blunt pins brought down upon it, one pin at every place where a hole might occur. Wherever a hole has been made, the corresponding pin passes through into a cup containing mercury, elsewhere the pins are pushed back by the resistance of the card. Each cup is connected with a counter having a dial capable of registering to 10,000. The electric current passes through one section of the card at the place a hole has been made and into the mercury, then through the counter connected with that mercury cup, then to the next

section and through the hole there made and the counter connected with it, and so on. If in any section no hole has been punched, the circuit is broken at that point and nothing on the card is recorded, the bell introduced at another point in the circuit fails to ring, and the card is thrown aside for correction. The machine is thus a device for simultaneous mechanical tallying, and can be modified and combined with various accessory devices, according to the needs of the particular case.

It is not improbable that a tabulating card will be used in the Twelfth Census, not only for each person, but also for each family. In that case, the age of the family or the duration of the marriage, the number of children and other dependents, the occupation of the head and of other members, the ownership or tenancy of the house, etc., would be recorded by holes in the family card and then tabulated. This is apparently the only way in which certain items on the population schedule can be utilized, and if the plan is carried out it would add appreciably to the scientific value of the next census.

The work of the division of vital statistics will follow closely the lines of the last census. For perhaps two-fifths of the population of the United States, the records of deaths will be copied from municipal or state registration offices. Elsewhere they will be gathered by enumerators. The effort to supplement the latter by returns from physicians regarding deaths which have occurred in their practice will be discontinued. On the other hand, the local and state registration officers have coöperated with most encouraging cordiality in the effort to secure uniformity in the data reported by them, and to be copied and tabulated by the Twelfth Census.

As you may know, the Division of Manufactures is

located at present in Boston, this being the only way in which the Census Office could secure the services of Mr. S. N. D. North at the head of that division. Consequently I will plead my own unfamiliarity with the plans of that division in detail as a reason for passing them by. We are fortunate in having a representative of the agricultural division of the Census Office with us this morning and he will present its plans from a fullness of knowledge which I cannot claim.

These four main divisions have as their goal the preparation and publication of the tables in their respective fields with such explanations as may be deemed necessary. Meanwhile the fifth division, that of Methods and Results, will study, analyze and interpret the past experience of the United States, the several states and foreign countries as expressed mainly in their census volumes, and will prepare criticisms and summaries stating the results of such experience and, in the light of it, what is to be looked for as significant in the tables of the Twelfth Census. The final volumes of the Twelfth Census will be prepared by combining the outcome of such studies with the tables and explanations resulting from the four main lines of inquiry.

I have felt it both a pleasure and a duty as in some sense a link between this Association and the Census Office to present such of our plans and aims as might interest a gathering like the present and thus possibly bring the producers and the consumers of statistics, or the officials and the academic teachers and students, to a better understanding and closer sympathy. It may fairly be mentioned that when a committee of this Association recently gathered a score of essays on various aspects of census work from the persons, who in their



judgment were the most competent experts in the various fields, their judgment coincided closely with that shown by the Census Office through its appointments. The person requested by our committee a year ago to report upon the census statistics of agriculture was invited by the Census Office some months later to become chief statistician in charge of that division. The person selected by our committee to write upon the census statistics of manufactures was similarly honored by the Census Office and in some degree as a result of the statistical ability shown in that essay. The other three appointments to similar rank were all persons requested by our committee to prepare papers for the Association's Monograph, and in one of these cases the selection was intended in part as a direct compliment to this and similar bodies and to the efforts they have made for the improvement of census work.

While I think the Association may congratulate itself upon such recognition of its usefulness, I may venture at the same time to point a warning for the students of statistics in this body. It is expressed in a conversation recently repeated to me by a friend connected with the Census Office, whose statistical acumen and business judgment I greatly admire. He was talking with Mr. S. N. D. North, now chief statistician of manufactures. The latter had said: "I understand that the Director of the Census was especially desirous to arrange for my appointment after he had read my paper on the Statistics of Manufactures in the Monograph of the American Economic Association." The friend replied: "Your having written that paper is the only thing I know about you that would lead me to doubt the wisdom of your appointment," and in explanation he added "In that paper you have held up an

ideal for the Division of Manufactures, which neither you nor any one else can attain, and yet having put it in print over your own name, you are sure to be measured and criticized by it." I believe that most persons engaged in the practical work of statistical offices welcome gladly any clear and accurate statement from outside sources of the ideal toward which the particular line of statistics on which they are working should aspire. But writers and students commonly assume that such an ideal as they have set up can be realized in practice far more fully than the conditions admit, and, therefore, by implication if not in direct words, suggest that the falling short of that ideal is in some way the fault of the Census Office and of the persons who are directing its work. If the heartiest coöperation between official statisticians and writers on such subjects is to be secured, any such implication must be scrupulously avoided. After some familiarity with both sorts of work, I may say frankly that even careful students, who are familiar with the Census Office only from its printed publications, are more often wrong than right in suggestions they may make regarding possibilities of improvement.

Finally, then, I may congratulate this association upon the efforts it has recently made for the improvement and the better interpretation of the Federal Census, and express the hope that in the future similar efforts may bring the Economic Association into even closer touch with those branches of the Government in whose work it is especially interested, and thus further the policy so ably outlined and recommended by our honored President in his last annual address.

MR. H. T. NEWCOMB: The scope of the agricultural investigations of the Twelfth Census was determined very largely outside of the Census Office. Section 7 of the Act providing for the Twelfth Census reads, in part, as follows:

“The schedules relating to agriculture shall comprehend the following topics: Name of occupant of each farm, color of each occupant, tenure, acreage, value of farm and improvements, acreage of different products, quantity and value of products, and number and value of live stock.”

Obviously, therefore, it was no part of the duty of the Census Office to inquire whether any of these topics belonged properly to census work. It is quite possible that if these questions had been open to discussion, the omission of some of the topics of inquiry mentioned, and especially of those relating to value, might have been determined upon. Again, the United States Department of Agriculture has a large statistical division, which for more than thirty years has published annual statements of agricultural acreage, production, and values, and regular statements of the conditions and prospects of growing crops. This division regards its work as dependent upon data supplied in the census, and it seemed clear that it was the duty of the Census Office to supply these data as far as practicable, and that the latter was very largely relieved from making inquiries concerning the value of those so demanded. Therefore, the content of the general agricultural schedule was determined quite as much outside as within the Census Office.

On the other hand, the form of the schedule was wholly within the control of the Census Office. The most notable change in this respect was the adoption of

an individual farm schedule. The schedules used in the Tenth and Eleventh censuses each contained space for reports concerning ten farms, and it may appear strange that the adoption of the single farm schedule should be coincident with the substitution of the one-hundred name schedule for the family schedule in the enumeration of population. Previous to 1890, those best qualified in statistical technique had rapidly advanced toward the conviction that the schedule for any investigation should contain the facts relating to but one of the units in that investigation; the object of each subdivision being to diminish and simplify the work of tabulation by permitting much of it to be accomplished by assorting the schedules themselves. Many regarded the adoption of the family schedule in 1890 as but a prelude to the adoption of an individual schedule.

The employment of the electrical tabulating system, invented by Dr. Hermann Hollerith, produced changes in census methods which extend to the formulation of the schedules. In connection with population, the new system, requiring the transfer of the facts concerning each individual to a single card, practically requires the office to make its own individual schedules. It has consequently become desirable to use for the schedule to be placed in the hands of the enumerators the largest sheet which can be conveniently handled. This would be equally desirable for agriculture, were tabulation the most important element to be considered in formulating the schedules. There are, however, fundamental differences between the agricultural inquiries and those carried on the population schedules, and one of the consequences of these differences is that, while the latter are generally returned ready for tabulation, the agricultural schedules require careful examination in order to elimi-

nate errors and supply obvious corrections. With the ten-farm schedule formerly used, a single error concerning the operations of one farm necessarily delayed the tabulation of the possibly perfectly correct answers regarding nine other farms. The paramount advantage of the individual farm schedule is that it will permit the immediate tabulation of all correct reports, without interfering with the attempts to secure the correction of the schedules that are imperfectly filled out.

The adoption of the individual farm schedule gave opportunity to reorganize the general schedule, and suggested the advisability of so doing. This reorganization has been so complete that it would be impracticable here to attempt to specify each change. One of the most important is in the manner of asking the questions concerning values of farm products. The Eleventh Census asked concerning each commodity, the quantity sold, as well as the quantity produced, and also the amount received from sales. The intention was to establish average prices by comparisons between these data, and by complicating these averages with the quantities produced to secure the total values of the latter. This purpose was not executed, and though the completion of the plan was impracticable owing to the limited funds available, there are some indications that it could not have been carried out under the most favorable circumstances.

The schedule for the Twelfth Census asks for values of the entire production, whether sold or consumed at home. If it is possible to secure satisfactory answers to the questions thus asked, a great deal of clerical work necessary under the former plan will be obviated, and it also has the advantage of reducing the number of inquiries one-half. The present schedule inquires con-



cerning the aggregate values of certain groups of products which are cultivated in small quantities, and in regard to which it is believed that it would be exceedingly difficult to secure more detailed information.

Another important change is the classification of farm animals according to ages. This modification was strongly urged by those engaged in the live stock industry and by the Department of Agriculture. Provision has been made in the inquiries in regard to tenure for answers covering farms cultivated jointly by owners and tenants, and by salaried managers. This is in addition to those cultivated by owners, by tenants on shares, and by tenants for money rental.

Some questions asked in 1890 have been omitted. Land is classified as improved and unimproved. In 1880 each of these classes was divided into two sub-classes. Improved land was classed as "tilled, including fallow and grass in rotation (whether pasture or meadow)," or as "Permanent meadows or pastures, cultivated forests, orchards, vineyards, nurseries, and market gardens." Unimproved land was classed as "Natural woodland and forests," or as "Other unimproved, including 'old fields,' not growing wood." The areas in these sub-classes, however, were not separately tabulated.

The cost of building and repairing fences during the census year, asked in 1890, will not be asked in the Twelfth Census. Quantity and value of straw, taken in 1890, will not appear, though the value should be reported with the value of the wheat or other crop in connection with which it was produced.

The question concerning the value of buildings on the farm has been introduced to meet a very general demand. In connection with the hay crop, a question has been added covering the area, quantity, and value of the

grains cut green for hay, in order to provide for a practice very common on the Pacific Coast.

The plans for the report of the Division of Agriculture have not been finally adopted, but they are sufficiently matured to warrant a few words in that connection. It is certain that the classification by the size of farms will be improved by the division of the class containing farms of from one hundred to four hundred and ninety-nine acres into at least two, and probably three classes. This classification will probably be applied to area and general values, as well as to the number of farms, and possibly to the production of some of the great staple crops.

Heretofore Census inquiries concerning live stock have not included live stock in cities or villages, and the numbers reported have thus been considerably smaller than the entire numbers of the animals of different classes in the country. A measure now pending in Congress for the amendment of the Census law provides for the collection of statistics concerning this portion of the live stock previously unreported, and there is little doubt that this important addition to the work of the office and to the value of its results will be made.<sup>1</sup>

There are also certain special topics, such as the production of cranberries, floriculture, and the nursery industry, which will be provided for by special schedules. These inquiries are to be prosecuted as far as possible by correspondence, though the work may be supplemented by that of special agents if it is found necessary.

Professor MAYO-SMITH said that the Association was to be congratulated on the condition of things in the new Census as revealed by Professor Willcox's paper.

<sup>1</sup>The amendment referred to was adopted, and received the President's approval on February 1, 1900.

This Association had demanded a year ago and always simply two things, *viz.*: the best scientific organization of the Census Office and honesty and decency in the appointment of subordinate officers. The first demand was being met by the care and acumen shown in the preliminary works; by the division of the work which pointed in the direction of a permanent Census Office; and by the organization of the Division of Methods and Results under Professor Willcox which would secure the best treatment and analysis of the data. The second demand had perhaps best be touched upon lightly. It was acknowledged that the subordinate appointments were to be made politically. The Census Office was doing the best it could to secure good men by a test of fitness. The best plan was to simplify the schedule so that the ordinary enumerator could handle it.

Professor D. R. DEWEY: I think that the paper may possibly give us the impression that the census has undergone a very great change for the better in this country, and that we are consequently likely to underestimate the census work that has been done in the past. We must remember that two censuses at least were presided over by a trained economist. The description given does not disclose any very radical changes from previous censuses. The student of statistics is not particularly interested with the inside machinery of the Census Office. He takes it that this is in a very large amount dependent upon political opinion which governs the character of the civil service. He recognizes that the service of the statistical or census branch of the office is no better and no worse than in other departments. It does not appear that the civil service regulations adopted by the Census Office are of a very serious character. As

far as they go, however, they are to be welcomed, but as students we are justified in demanding much higher ideals. We are especially interested in the hope that the Census Office may become a permanent office. We also are particularly interested in the method of working up the results so that they may be of greater and greater value to investigators in economics.

Professor R. P. FALKNER: When a committee of this Association undertook to criticize the Eleventh Census it was found extremely difficult to place the responsibility for the defects. Gentlemen who had been in charge of the census operations assured us that the faults of the latter were due to the law under which the census was taken. Professor Willcox has not concealed from us that there are defects in the present law, and enters a species of caveat against any future criticisms of the work of the Twelfth Census. But whatever its results may be, they have yet to be seen and any criticism of census methods by outsiders would seem premature until they have been tested by experience. When the Twelfth Census shall have been completed there will be more of us ready to rise up and speak our minds upon the subject. We can, however, rest assured of one thing, that the responsibility for the merits or defects of the enumeration of 1900 will rest more squarely than it has ever done before on the shoulders of the Census Office. The present law hampers the Director by no superior authority, and leaves, more explicitly than has ever been the case before, the formulation of plans, questions and methods to his judgment and discrimination. In this sense we have made great progress, and I share the conviction of many statisticians that this confidence in executive discrimination will prove not to have been misplaced.

## PRELIMINARY REPORT OF COMMITTEE ON COLONIES.

The Committee on Colonies constituted at the last annual meeting was finally organized as follows :

Jeremiah W. Jenks, Chairman,  
Hon. Charles S. Hamlin,  
Prof. E. R. A. Seligman,  
Dr. Albert Shaw,  
Prof. E. H. Strobel.

In the summer Professor Strobel, on account of intended absence in Europe, withdrew from the committee, so that the present report is signed by only four members.

It seemed wise to the committee to secure information regarding the fiscal methods and economic conditions of typical modern colonies and to endeavor, on the basis of this information, to suggest tentatively some general principles which might be applicable to the government of the new dependencies of the United States.

In addition to the members of the committee several other persons, on the solicitation of the chairman, agreed to make reports on various colonies. While it has been impossible for some of these, on account of pressure of other work, as yet to complete their reports, papers have been received on the fiscal systems of the French, the German, and several of the English Colonies, including the West Indies, and the Straits Settlements, with the Federated Malay States. At an early date reports are expected on the Danish, the Spanish and the Dutch Colonies, as well as on other typical British Colonies.



In so far as the committee now feels itself warranted in formulating any views based upon its preliminary studies of the experience of other countries, it has to offer the following general suggestions :

First. The finances of each colony should be managed exclusively for the sake of the colony and for its development, and not for the advantage of the mother country.

Second. No uniform system of detailed fiscal management for a number of colonies in different parts of the world can be established. Each colony must be considered by itself and its system must be adapted to its conditions.

Third. Each colony should, as far as possible, be made self supporting ; but the mother country may well sustain the colony's credit or make advances to be repaid at a later date.

Fourth. In undeveloped colonies whose inhabitants are not capable of managing important public works such as railways, canals, telegraph systems, etc., these improvements may well be owned by the government and managed by government officials rather than by private companies.

Fifth. The selection of sources of revenue must in each case be determined in accordance with the economic and social conditions of the colony.

Sixth. Where the colony is so situated that the development of trade with foreign countries is the chief economic consideration, import duties should be very low or practically non-existent.

Seventh. In colonies of undeveloped economic resources the chief reliance for general government income should be on a system of internal revenue taxes, with compensatory duties on articles imported similar

to those subject to internal revenue taxes. Excise duties should be levied primarily on a few articles of general consumption, like alcoholic drinks, opium and rice. When any colony has decided advantages in the production of some specially favored commodities like sugar, tobacco, hemp, etc., it may be desirable to impose business licenses or similar duties on them. It is even a question whether low export duties on such commodities may not advantageously be employed in exceptional cases, it being assumed that under these circumstances a duty on colonial exports would not be inconsistent with the constitution of the United States.

Eighth. It is undesirable to utilize an octroi or a system of taxes on consumption for local purposes. Local revenue should, in most cases, be derived in a large measure from real estate, business licenses and kindred specific taxes.

Ninth. In the administration of fiscal affairs natives, wherever possible, should be utilized as officials. It should be fully understood, however, that in the last resort the desires of the United States Government, expressed by the proper authority, are to be paramount and its decisions final.

Tenth. As long as any of the colonies have not attained modern industrial conditions, it may be advisable to continue as far as may be possible native customs during the period of transition. For example :

It is quite possible that for some time to come the system of farming out the revenue to contractors, especially to native chiefs, should be retained, under such restrictions as may prove practicable.

Eleventh. For the proper administration of the fiscal system in any of the dependencies of the United States

it is absolutely essential to establish a civil service which is beyond question as respects the ability and honesty of its personnel.

Twelfth. In those dependencies where it is difficult to secure an adequate supply of efficient native labor, the question of the admission of foreign laborers should be seriously considered. While there may be sufficient justification for the exclusion of Chinese workmen from the United States, it by no means follows that they should be excluded from the Philippines.

JEREMIAH W. JENKS,  
CHARLES S. HAMLIN,  
EDWIN R. A. SELIGMAN,  
ALBERT SHAW.

[The following remarks, made by Professor Keasbey, at the close of the discussion upon President Hadley's address, should have been printed on page 87.]

PROFESSOR KEASBEY: I agree with Professor Commons. Before taking up the discussion we should define our terms. What do we mean by an *Economist*? He is a *scientist* of course; but then again he is also a *man*. As *scientist* he is neither the exponent of society as a whole, nor is he the apologist for any particular part; he is interested simply and solely in the pursuit of truth. As *man* he may have what Plato would call a "watery friendship" for humanity as a whole, but he is more probably a patriot of some country and very likely also an adherent of a certain political party. In times of stress this duality is apt to become confused. In such a personal science as ours it is difficult for the economist to separate theory from practice, and hence the danger of sliding from abstractions into hypocrisy. But the distinction is still there and cannot be too vigorously insisted upon in a discussion of this kind.

With the distinction in mind, what shall we say of "society as a whole." To the scientist there is no such thing. We may speak of the human *race* but not of human *society*. The scientist sees the human race organized into a number of human societies. The man regards the particular society to which he belongs as society *par excellence*;—the Esquimaux call themselves *Innuits* or "the people," and in our own phrase we Americans likewise call ourselves "the people." But over against the rest of the world it is just as partial to take

our own society as typical, as it is to universalize the cause of some particular party within our own society. It is merely a matter of degree, and here again there is danger of hypocrisy.

I must also take exception to our distinguished President's distinction between the theory of prosperity and the theory of distribution. To the pure scientists both are impersonal, they are merely two sets of objective phenomena to be observed with equal impartiality. The man, on the other hand, is personally interested in the prosperity of his country as a whole, and also in the welfare of the particular class or section to which he happens to belong. In the former case, he is supported by all his countrymen and opposed by the rest of the world; in the latter case he has a smaller group behind him, and is opposed by the rest of his countrymen.

The distinction is not, therefore, between prosperity and distribution, but between scientist and man. The scientist is interested in the whole truth; the man is interested in the welfare of that part of humanity with which he is identified. Scientist and man are united in one personality. Therein lies the confusion, and hence hypocrisy is only too apt to emerge.



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THE END OF VILLAINAGE IN  
ENGLAND.

BY

THOMAS WALKER PAGE, PH.D.

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## THE END OF VILLAINAGE IN ENGLAND.

During the last centuries of the Middle Ages the free and the unfree classes of the population of England were set off from each other by no clear and sharp dividing line. There was, on the contrary, a broad expanse of debatable land between them, a land well peopled with industrious and useful men, who certainly did not know, and probably seldom paused to think, whether in the eyes of the lawyers they were free or unfree. This indefiniteness of the boundaries facilitated the passing from one class to the other, and although it had at one time undoubtedly aided in depressing the freemen, yet after the thirteenth century it continued to play an equally important part when the stream of tendency had set in the opposite direction. But on both sides of this shadowy territory there were men about whose condition there could be no doubt. On one side were the free, sub-divided into various classes, from the mighty baron with his scores of broad acres and cattle grazing on a hundred hills, his frowning castle and troops of retainers, to the simple freeman that eked out a scanty existence by his handiwork. On the other side were the unfree, who were likewise sub-divided into classes according to the amount of land they held or the rights they had acquired, but who were all in common parlance known as bondmen or villains.

It is the gradual extension of the rights of these villains in the eastern, midland, and southern counties of England, and the abolition of their disabilities till they were on an equality with freemen, that this paper will discuss. The sum of the rights and disabilities that

went to make up their status or condition was known as villainage, and as these were passing through a process of change during the last centuries of the Middle Ages, the word villainage conveyed different meanings at different times. Moreover, the same word was used to designate the sum of the rights and disabilities attached to the tenure of certain lands ; so that it not only meant different things at different times, but it meant two things at the same time ; it was the name given to the status of a large part of the population, and it was the name given to a certain form of land tenure.<sup>1</sup> Thus a person of villain status, even though he had acquired a freehold, was bound simply by reason of his status to the performance of certain duties to his lord ; whilst a man that received land to hold in villainage, even if he were a freeman, was bound by reason of his tenure to discharge many duties that were identical with those of a bondman. In speaking of the extinction of villainage, therefore, it will be necessary to remember these two meanings, and to describe both the changes that took place in the condition of the villains, and those that took place in the tenure of certain lands.

A great mass of literature has grown up in recent years concerning the origin of villainage. Opinions still differ about it, and it is not proposed to discuss the subject here at all. But in order to understand how and why it was done away with, it is necessary to know what it was before the process of amelioration began. Faint traces of this process are discernible, however, at very early times, at times indeed about which our amount of information on economic subjects is too small and untrustworthy to permit an accurate description of the institution as it then existed. Yet it had made but

<sup>1</sup> Pollock and Maitland, "*History of English Law*," I, 339.

little headway before the middle of the thirteenth century; and thanks to the labors of Professor Vinogradoff, Professor Maitland, and others, it is now known what villainage at that time meant.

The class of people whose condition these writers have discussed included the greater part of the cultivators of the soil. They were not equally distributed, however, throughout the country. In the counties which had been subjected to Danish influence they were less numerous than elsewhere, on many manors indeed scarcely outnumbering the freemen; whilst in the County of Kent there were no villains at all. The term "villain", by which they came to be known, had its origin in their living, not as do the farmers in America, each on his own land, but clustered in vills, hamlets, or small towns, from which they went out in the morning, each man to till one of his own little plots, or all together to their work on the land of the lord of the manor. For usually all the villains in the village were connected with the same manor, were "regardant" to it, as this relation came to be called; though it sometimes happened that one vill was divided between several manors, just as it also happened that there were sometimes several vills on one manor. But whether they were all connected with the same manor or not, they were with few exceptions connected with some manor<sup>1</sup>; as a rule they held land within its limits, and owed "suit and service" to the lord of it; so that to be a villain implied having a lord and being bound to him on some one of his manors.

Now the term "manor" was very indefinite. Hardly anything can be said about one manor that would be

<sup>1</sup> Pollock and Maitland, I, 397.



true of all others.<sup>1</sup> They differed in size ; they differed in the way they were managed ; they differed in the relation to each other of the owner and the cultivators ;— in short, they differed in so many ways, that though volumes have been written on the “ customs of manors ” many things are still obscure that it would be desirable to know about them. Still most of them conformed more or less closely to a certain type, the nature of which may be outlined.

The average manor, then, in its outward aspect was a piece of land containing some five or six thousand acres, which the owner held either directly from the king, or indirectly from him through a mesne lord. On it was the manor house, sometimes a large and commodious building occupied by the owner, or lord, in person, sometimes a simple structure, hardly better than those of the villains, and inhabited by the lord's bailiff. Around this house were the lord's outbuildings, garden, and sometimes separate pasture for his animals. The rest of the land was either arable land and pasture, waste land which could not be profitably cultivated, or woodland. Nominally the waste and the woodland could be disposed of at the will of the lord, provided he left sufficient pasture for the free tenants, but in practice the other dwellers on the manor were authorized by custom to graze their cattle on them or use them in other ways, a privilege for which they usually made a small annual payment. The arable land was divided sometimes into two, but generally into three, large fields, and was cultivated according to the well known “ three field system ” : each field in turn being sown with a winter crop, the next year with a spring crop, and the third year lying fallow. A part of the land in

<sup>1</sup> Pollock and Maitland, I, 584ff.

each of these fields was retained by the lord for his own use; it was known as the "demesne" or "demesne lands". The rest was either in the possession of freeholders, or was held of the lord by the villains; and both these classes of tenants rendered services to the lord that varied "according to the custom of the manor". The owner, or lord of the manor might be the king himself, who was a very large landowner, or one of the great barons who had many other manors besides, and who appointed bailiffs and other agents to manage them for him; he might be some private man who, having no other land, lived on the manor and managed it himself; or the lord might be no single person but some religious house; or again the ownership might be divided between the joint heiresses of a former lord. Still the average manor was held together as an agricultural unit; and accounts were kept for it by the lord's bailiff as a separate whole, and carefully drawn up in Latin every year about Michaelmas.

But the term manor implied not only an expanse of land variously divided between the lord and his free and unfree tenants, with its separate organization of agricultural operations; it implied, furthermore, certain jurisdictional powers of the lord over the other occupiers, powers which he exercised through the manorial court.

Twice a year this court met as view of Frank-pledge or Court Leet. It was holden on these occasions not only for seeing that the law of Frank-pledge was executed, which required all the males over twelve years of age to be in a tithing, but also for the presentment and punishment of all other breaches of law that were not serious enough to be considered felony. When such was the business of the court, the lord, or his steward, was the only judge; and he derived from it a very con-

siderable power over his tenants, as well as an increase of revenue from the manor in the way of fines, and amercements.

Besides these meetings the court came together on most manors once every three weeks for the transaction of other business, and was then called by another name. Sometimes it was called the Halimote or Hallmote from the place of meeting, sometimes the *Curia Privata* or Private Court, sometimes the Customary Court. But the difference in name indicated only that a different kind of business was to be attended to, not that it was really a different court. In the thirteenth and fourteenth centuries "we cannot discover two courts or two methods of constituting the court. Freeholders and serfs are said to owe suit to the same Halimote, and so far as we can see the 'curia' which pronounces judgment is always the same body."<sup>1</sup> On some manors, indeed, all business of whatever nature seems to have been transacted on the days that the Court Leet met, as, for example, on those belonging to Ramsey Abbey. The Halimote, as well as the Court Leet, was presided over by the lord, or more frequently by his steward. He was not, however, the judge; the attending tenants themselves judged the cases that were brought up, and a committee of them assessed the fines that were imposed. When held as a Halimote the court busied itself chiefly with the affairs of the villains. In it were entertained personal actions for amounts less than forty shillings, actions relating to villain tenements, sometimes, but very seldom, actions for the recovery of freehold land, and cases where the lord sued his villains for non-performance of their services. Sometimes also cases were presented and punished in

<sup>1</sup> Pollock and Maitland, I, 581.

the Halimote that more rightly belonged in the Court Leet. It was characteristic of the Halimote that in it were discussed and regulated by by-laws all questions of general interest to the body of the tenants, such as how many sheep a tenant was entitled to graze on the common, the time for admitting the cattle to the stubble, etc.

All the tenants on the manor, whether they were freeholders or villains, had to attend the court; for "mere tenure gives to every lord who has the means of exercising it jurisdiction over his tenants";<sup>1</sup> and bringing suit in another court was punished by a fine. It was seldom that distinctions were made between freemen and villains; unless the question at issue concerned the lord, the same justice was meted out to members of both classes. According to law, indeed, the lord could compel only his villains to serve as jurors; but in practice the free tenants frequently did serve, partly because they were interested in seeing the custom of the manor maintained, and partly because they preferred to undertake the duty rather than offend the lord by refusing to do so.<sup>2</sup>

Suit of court was no light burden. It was an expensive as well as a wearisome obligation; for whatever the work was that the tenant might be engaged on, he must leave it when summoned to the meeting of the court, though he should not receive the summons before midnight. If he failed to attend, he was liable to be fined, and such fines added considerably to the lord's perquisites. During the meeting of the court he might be required to present the offences of his neighbors, and to serve with his fellows as doomsman to judge those presented by the lord's bailiff. When appointed he had to

<sup>1</sup> Pollock and Maitland, I., 572.

<sup>2</sup> *Ibid.*, I., 581.

serve on a jury to inquire into neglect of duty by the lord's agents, or to determine a neighbor's title to land. Attempts to be freed from suit of court were therefore frequent, attempts that were usually successful, however, only on the payment of a very considerable sum. But there were occasions when attendance at court might be regarded rather as a privilege than a burden. For it was there that the "custom of the manor" was determined or interpreted, and so a limit set to the rights of the lord; it was there that the by-laws were made in which all the inhabitants of the manor were interested; it was there that transfers of land held in villainage usually took place; and it was there and only there that the villain found protection of his title to land.

What has been said makes it apparent how great was the outward similarity in rural England in the thirteenth century between the condition of the small freeholders and that of the villains. Side by side they often worked together on the lord's demesne, or performed the duties of the manorial court, or assisted each other in the cultivation of their own holdings. It is true that in most cases the services of the freeholders were lighter than those of the villains; sometimes, indeed, they performed none at all; but very often the labor supplied and the dues paid by the members of the two classes differed neither in quantity nor quality, so that to distinguish the status of these sons of toil, whose lives ran so nearly in the same channel, was no easy matter. And yet a difference of condition there was: The essence of villain status consisted in the subjection of the person and the personalty of the villain to the uncertain will of his lord, a subjection that manifested itself in three ways.

First, the villain was bound to remain on the manor till his lord consented to his departure.



Second, he was bound to render service to his lord in the manner and to the amount that his lord should command.

Third, he was bound to surrender to his lord any or all of his personalty, if his lord saw fit to seize it.

It is true that in the thirteenth century this subjection was in large measure limited by the custom of the manor, but there still remained a considerable uncertainty as to the disposal the lord might make of his villain's person and possessions. So long as this uncertainty existed, it was impossible for the king's court to determine the degree of a villain's subjection; and, as a consequence of extreme importance, the only protection against his lord that the law of the realm afforded him was protection "in life and limb." His lord might not kill him nor maim him; but he might beat him, confine him, eject him from house and home, or otherwise dispose of his person as caprice dictated, and the law would afford no remedy. In spite of the outward similarity, therefore, between the condition of many freemen on the manor and that of the villains, the difference between them in reality was great. The lesser freeholders it is true spent their lives upon the manor, rendered suit at the manorial court, performed many kinds of labor for the lord, and sometimes were accustomed to render him a portion of the produce of their land and the increase of their animals; but they were at liberty to remove from the manor, or to give up their holdings and cease their services when they pleased. Their services and payments, moreover, even while they remained there, were definitely fixed and not dependent on the will of the lord; and therefore the king's court was able to afford, and did afford them protection against further exactions.

Since the essence of villainage, then, in the middle of

the thirteenth century consisted in the villain's subjection to his lord's will, and since certain limitations to the exercise of that will were imposed by custom, it is necessary to point out how those limitations worked in regard to the three obligations through which the status was manifested.

Of the three perhaps the most important was the villain's obligation to remain on the manor until his lord consented that he might go elsewhere. He was *adscriptus glebae*, bound to the soil. As a rule the lord permitted him to hold land, which he might cultivate for himself, and, as will be seen, required of him in return for it a great deal of labor on the demesne. It does not seem, however, to have been very difficult in the latter part of the thirteenth century for a villain to obtain the necessary permission if he wished to go away. There had been a gradual increase of the population on the manors, and as the lord could make no use of the increase, a small payment, often merely nominal, such as a horse shoe or a bushel of grain every year, would suffice to secure his consent to the villain's departure. This payment was known as "chivage" or "head-money"; and when he accepted it, the lord usually stipulated that the villain should continue to acknowledge that he was a villain, and should return to the manor when requested to do so. But permission to go away, though easy to secure, was comparatively seldom sought. The means of earning a living in the great world to which he were a stranger were too few and uncertain to tempt the villain strongly; and the increasing number of "assarts"—plots of land newly reduced to cultivation—that are shown by manorial extents of that period, testify to the villain's preference to stay by his work at home, rather than fly to labors that he knew

not of. Important, therefore, as was this obligation to remain at home, the lack of *Freizügigkeit*, as the Germans call it, one must not regard it as being at that time very oppressive. The pettiness of the sums paid as chivage shows that as a rule the restrictions imposed by his status on a villain's freedom of movement were almost nominal; the real restriction at that time was of an economic nature, and consisted in a lack of demand for his labor elsewhere.

Based on the same principle as chivage and equally showing the obligation of the villain to remain on the manor was *merchet*, a payment made by the villain if he wished his daughter to marry a freeman or a villain on some other manor, and regarded as a remuneration to the lord for the loss of the girl. Like chivage it was small, being seldom more than sixpence in the latter part of the thirteenth century, and the lord's refusal to accept it and permit the marriage seems to have been of rare occurrence. Occasionally *merchet* was exacted from freemen,<sup>1</sup> but instances of it are few and the payment of it was looked upon as peculiarly characteristic of villain status. The principle upon which chivage and *merchet* were based perhaps also underlay the payment of *leyrwite*, which was exacted from the villain in the event of his daughter's incontinency. It was certainly the basis of the fine imposed if he sent his son off to school—truly a rare event in those days—or if he wished him to take holy orders, which might happen more frequently. †

And not only could a villain not depart from the manor, but there is reason for believing that he could not even enter into an agreement with outsiders without his lord's permission. This is indicated by the fine

<sup>1</sup> Vinogradoff, "Villainage in England", 154.

called *gersuma*, which he had to pay on completing an agreement.<sup>1</sup> If, however, he did enter into such an agreement, whether with or without his lord's permission, he could enforce it against the other party; for in relation to every one except his lord the villain was treated as a free man.<sup>2</sup>

The second of the villain's obligations served as the chief motive of his lord in insisting on the first: he must serve his lord as his lord should command. In the manorial documents of the thirteenth century the obligation was seldom stated in this way. On the contrary the greater part of the services rendered were regarded as being due by reason of the villain's tenure; he worked for his lord not because he was of villain status, but because he held certain land of the lord, and in return for that land the lord was accustomed to receive service. But the lord could force him to hold this land and therefore to work; or he could move him from one piece of land owing light services to another owing heavier ones. Moreover, the lord could and sometimes did alter the amount and the nature of the villain's services even without changing his holding. Indeed instances occur in which the lord sold his labor and even his person off the manor altogether. In practice, however, this obligation of the villain was not so oppressive as a simple statement of it would imply. For in this matter particularly, the lord's will, though not controlled, was strongly influenced by the custom of the manor; and this custom ruled that the villain must render services, indeed, but need render no more than had been due from his predecessors on the land he occupied.

<sup>1</sup> Cunningham, "Growth of English Industry and Commerce", I., 612n.

<sup>2</sup> Pollock and Maitland, I, 402, 403.

Before the lord could force him to work, therefore, he should according to custom force him to hold land ; and before he could change his work, he should change his land. The manorial records mention but one kind of labor as being due from the villain by reason of his status instead of his tenure : that, namely, of serving as reeve. And even this seems as a rule to have been performed by villains that held considerable tracts of land ; still liability to be called on for it was regarded as a proof of villain status.

On the third of the villain's obligations the effect of the manorial custom was in many respects analogous to its effects on the others. As he was denied by common law all freedom of movement, so also he was denied all freedom to dispose of his possessions. It is true that in relation to all men except his lord, he was treated as if he were free, in actions concerning his possessions third persons had to deal with him as if he were the owner of them.<sup>1</sup> But according to the law of the realm he had no property rights whatsoever that his lord was bound to respect. Whatever the villain possessed belonged to his lord, whatever he produced or acquired he produced or acquired for his lord, provided that his lord chose to seize it. If the villain by any means came into possession of a freehold, it might be seized by his lord ; if he received chattels through purchase, gift, or bequest, his lord might claim them as his own. If the villain squandered or alienated his goods and chattels without permission, he was liable to punishment on the ground that he was wasting his lord's property. Such was the law ; but in practice we find the villains buying, selling, holding, and enjoying the goods of this world with little interference on the part of their lords. Some of them

<sup>1</sup> Vinogradoff, " Villainage in England ", 68.



even acquired considerable wealth, as is shown by their being able to purchase from their lords important rights and exemptions, such as freedom from laboring on the demesne or freedom from suit of court or the lord's promise that they should not be compelled to take an undesirable holding. Had the practice conformed to the law, the lord might have seized the purchase money without granting such privileges in return for it. x

In reality the occasions on which a lord might seize his villain's goods were fixed on each manor by custom, a custom that was seldom transgressed. If the lord did transgress it, however, the villain had no legal remedy; so far as the king's courts were concerned he was utterly unprotected in the possession of his goods. "To fix in precise terms the degree of binding force that the lords in their thoughts and their deeds ascribed to the manorial custom would be impossible. Generalizations about the moral sentiments of a great and heterogeneous class of men are apt to be fallacious, and when a lord pays respect to a custom that cannot be enforced against him by any compulsory process, it will be hard to choose between the many possible motives by which he may have been urged; provident self-interest, a desire for a quiet life, human fellow feeling for his dependents, besides his respect for the custom as a custom, may all have pulled one way."<sup>1</sup> But whatever it was that gave its binding force to the custom of the manor, such a force it had; so that the pressure on the villains by reason of their subjection "did not depend on the caprice of the lord, though it depended theoretically on his will."<sup>2</sup>

Now although the customs of different manors were

<sup>1</sup> Pollock and Maitland, I, 359.

<sup>2</sup> Vinogradoff, 176.

at variance on many points, they were very generally in agreement as to the occasions when the lord might seize the villain's goods. It might be done, as one would naturally suppose, in the event of any grave violation of the custom by the villain himself, as, for example, his refusal to perform the labor he owed, or his denial that he was the lord's villain, or his continued absence from the manor without permission. But it was not left to the lord in such a case to determine whether the villain had failed in his duty; that was decided in the manorial court, where the villains themselves acted as judges and stated and interpreted the manorial custom. It was only after the lord had brought suit and obtained judgment that custom warranted him in depriving the villain of his goods for neglect of duty.

The villain's lack of property rights is more clearly shown by his liability to be called on for tallage. This was a kind of tax which custom sanctioned the lord in levying, and which the villain had to pay out of his possessions no matter by what means he had acquired them. In the surveys and extents in which the customs of manors were recorded, it is usually said that the lord can levy tallage whenever he pleases and in as large sums as he pleases, and a perusal of the yearly accounts kept by the lords' stewards and bailiffs shows conclusively that the sums drawn from the villains as tallage differed considerably from year to year. The lords, it is true, seem to have avoided great exorbitance in their exactions, but they held firmly to the principle that, if they chose, they could tallage the villains to the whole extent of their possessions. It is seldom that the occasions for paying tallage are mentioned and fixed except on the manors of Ancient Demesne (which belonged, or had once belonged, to the crown); more

often it is said that the lord can tallage his villains "de haut en bas", that is, as often and as high as he chooses✓

In addition to tallage, the villain frequently had to render to his lord a certain percentage of the increase of his livestock. Thus at Upwood, a manor of Ramsey Abbey, the larger landholders among the villains had yearly to give to the Abbot the second best of every ten pigs they possessed.<sup>1</sup> Furthermore, if the villain wished to sell any of his cattle, a calf or a horse, he had to make a payment to his lord to win his consent, a payment which developed into a fine on the alienation of that form of personal property. Fines were also imposed upon him for any needless dissipation of his possessions, as when by some misbehavior he had incurred a fine in the church court and thus "diminished his lord's goods." Many other payments there were, sometimes of whimsical name and doubtful nature, that the villain must make; but they seem to have been due by reason of his tenure rather than his status; or else they were of a political or an ecclesiastical nature, and were a burden upon the freemen as well as upon the villain.

Now the lord benefited little from the villain's presence on the manor, unless he received from him goods or labor. Since, then, the occasions when he seized the villain's goods were few and fixed by a custom that he seldom ventured to transgress, it is obvious that the institution of villainage was chiefly intended to insure an abundant supply of labor for the cultivation of the demesne, labor that was regarded, however, only as a return for land assigned to the villain for his own use. In the accounts that give a description of the working of the manor from year to year, we do not find

<sup>1</sup> *Cartularium Monasterii de Rameseia*, Ed., Hart and Lyons, I, 346.

villains rendering labor if they held no land. But, on the other hand, we do find men on the manor holding land who yet rendered no labor. In practice, therefore, whether the tenant worked for his lord or not depended on the nature of his tenure and not on his status. Thus it not infrequently happened that the tenant was a villain and was in possession of a freehold, so that he owed little or no labor; whilst on the other hand he might be a freeman who had taken land to hold in villainage, for which he was obliged to assist at the work on the lord's demesne. It was natural, therefore, that the lord should be more concerned about the nature of his tenant's tenure than about his status.

That tenure through which the lord derived the greater part of the labor he needed was known as Customary Tenure, Villain Tenure, or Tenure in Villainage, *in villenagio*. Other words were sometimes used. The tenant might be said to hold *native* or *in servitude* or *in bondagio*, but these seem all to have meant exactly the same thing.<sup>1</sup> The essence of this tenure was that the tenant performed villain services<sup>2</sup>; and the difference between these and the services of a freeholder consisted, as has been indicated above, not in their character nor in their amount—for the freeholders sometimes performed as much agricultural labor for the lord as the villains—but in their uncertainty. The typical tenant in villainage did not know in the evening what he would have to do in the morning; he might know the amount of labor that would be required of him, but he did not know how it would be applied.<sup>3</sup> That he would be employed in the agricultural operation on the

<sup>1</sup> See below, p. 376-378.

<sup>2</sup> Pollock and Maitland, I, 343.

<sup>3</sup> *Ibid*, I, 353.

demesne he might be quite sure ; for in the many hundreds of reports left by the manorial bailiffs we find villains seldom employed in any other way ; but these operations were of sufficient variety to leave large room for uncertainty.

In speaking of these predial services one thing should be especially emphasized : the amount of labor due from land held in villainage differed greatly on different manors. Why this should have been so, it is often impossible to say with certainty. We may suppose that on some manors the smallness of the demesne in proportion to the number of villains rendered the services of each one lighter ; but generally this explanation would not hold good, for when the work that according to custom the villain should do for his lord was not all needed, he could be made to pay for that from which he was excused. We may suppose, again, that some lords in sudden straits made concessions to their villains to win their assistance ; and other lords may have done the same out of charity. It is noticeable that the duties of the villains on the manors of the king were usually light. The same is true of the estates of the Duke of Lancaster in the fourteenth century, while the Earl of March seems to have been much more exacting. Very seldom, however, can we account for the difference by the character of the lord, for it is often to be observed on manors owned by the same lord. Thus Anstey, Hants, and Erbury, Suffolk, both belonged to Battle Abbey ; yet in the first half of the fourteenth century the villains at Anstey performed no predial services, whereas at Erbury the bailiff was entirely dependent on their labor to cultivate the demesne. Other reasons, such as the dishonesty of the steward or the poverty of the tenants, may here and there have caused an unusual



lightening of labor dues. But these explanations can only be suggested, and the difference of the customs of manors must in most cases be left to conjecture. Greatly, however, as the custom of one manor varied from that of another in this regard, it was understood on each before the thirteenth century ended how much labor a villain holding land there should be called on to do.<sup>1</sup>

True the lords sometimes violated the custom of the manor and demanded more labor than the villains had been wont to perform, but the great care that the lords took to have the services customarily rendered by their tenants recorded in the manorial extents is in itself sufficient to show that they intended the custom to be observed.

Knowing then that his labor would be agricultural, and knowing also the amount of it, the only ground of uncertainty left for the villain was as to how it would be applied. This was decided by the lord's bailiff at his discretion. Every year at Michaelmas this official rendered an itemized account of how the labor of every villain had been utilized, just as he did of all the other receipts and expenditures of the manor.

In these accounts the bailiff generally divided the work days—which were called simply "*opera*," or "works"—into four classes. The first consisted of the *opera hiemalia*, or winter works, and fell due between Michaelmas and Whitsuntide. During this season the villain that held a virgate of thirty acres had to work on most manors three days a week for the lord; those that had less land had to do proportionally less work. After Whitsuntide the *opera estivalia*, the summer works, were due. They were as a rule not harder than the winter works, and differed from them only in being

<sup>1</sup> Vinogradoff, 176.

spent chiefly out of doors in such operations as hedging, ditching, mowing, or weeding; while in winter the bailiff had employed the villains indoors in threshing the grain, sharpening the stakes for the hedges, or such like work. It is noticeable that the greater part of the ploughing, which was the heaviest work on the manors, was not done by the tenants in villainage, but by men that were specially employed for the purpose, and that were given a small plot of land to hold while they held the position of ploughmen, and were supported for the most part by rations issued to them by the bailiff. Comparatively little of the work done by the villains consisted of team work; they performed *Handdienste* much more than *Spanndienste*.<sup>1</sup> The third class in the bailiffs' accounts, and the heaviest, was the work done at harvest time, the *opera autumpnalia*. For about two months from the first of August the holder of a

<sup>1</sup>This is evident from the number of ploughs and ploughmen that the bailiffs usually maintained for the cultivation of the demesne. Walter of Henley says that in the Three Field System one plough requiring two men to run it would suffice to cultivate 180 acres. The manorial records show, however, that it seldom did so much. At Great Shelford, for example, in 1350, the villains ought to have ploughed altogether 182 acres. But on account of the plague they ploughed only 62; they were excused from the rest, "eo quod potuit fieri per carucas domini si expedissent" [sic]. As only 220 acres were sown, and as four plowmen were maintained, that is, two ploughs, it seems that one plough had to make haste on this manor to cultivate 100 acres. But even if the average plow could do more than this, there were enough special ploughmen maintained on most manors to cultivate the demesne with little assistance from the villains. Thus the Ministers' Accounts for the following manors, preserved at the Public Record Office, show that:

At Wilton, Bucks, . . . . .	1342, 230 acres were sown,	8 ploughmen maintained
" Steeple Claydon, Bucks, . . . . .	1366, 111	" " " 4 " "
" Stevenage, Herts, . . . . .	1343, 275	" " " 4 " "
" Framlingham, . . . . .	1326, 280	" " " 6 " "
" Clare, Suffolk, . . . . .	1336, 600	" " " 10 " "
" Lidgate, Suffolk, . . . . .	1347, 500	" " " 8 " "
" Hoton, Essex, . . . . .	1343, 325	" " " 6 " "
" Soham, Cambs, . . . . .	1344, 277	" " " 4 " "

virgate not only must work himself four or five days a week for his lord, but he must often find one or two other men and pay them to do the same. After the harvest was finished, however, he was required to do no more work before Michaelmas than he had done during the winter. The fourth, and last, class was made up of the *opera precaria*, or "boon" works, which had at one time, as the name indicates, been performed as a favor to the lord, but which had come to be regarded as a regular part of the villain's obligations. As boons the villain usually spent a few days in plowing in the spring and autumn and a few more in the harvest with all his family except the grown female members. On some of these boon days he received food or a small gratuity in money from his lord, on others he received nothing; but if he failed to do his duty on any of them he was fined.

Sometimes in his accounts the bailiff divided the works not into four classes as above, but into *opera parva*, those due on the shorter days of winter, and *opera grossa*, those due in summer. Sometimes, again, he named the works not according to the season when they fell due but according to the way they were used. The tendency to name them thus grew gradually stronger, for it became ever more and more usual to employ the same villain with the returning seasons in the same way; and thus the uncertainty of the service which had served to mark the tenure as unfree became gradually less. Yet so long as the services consisted chiefly in agricultural labor, it was difficult to define with absolute certainty beforehand how they would be applied, so that labor services were almost necessarily unfree services.<sup>1</sup>

<sup>1</sup> Pollock and Maitland, I, 354.

It must be conceded, however, that on many manors in the last half of the thirteenth century the degree of uncertainty was very small. Indeed there were already some tenants in villainage that had commuted their labor services for fixed annual payments. But this definite fixing of their services did not change their tenure from villainage to freehold. When once it had been established that the tenure by which a certain piece of land was held was unfree, no change in the nature of the services was sufficient to make that tenure free.<sup>1</sup> Land once in villainage remained in villainage, unless the lord expressly conceded that the tenure should be altered. It would have been well for the villain if this rule had worked both ways, if the tenement once free must always remain free. But such was not the case. For while it is true that villains were sometimes permitted to hold land freely, it is also true that if the lord chose, he might seize the villain's freehold, and force him to hold it henceforth in bondage.<sup>2</sup>

It was in such labor services as have been outlined, varying, as has been said, in amount and in certainty on different manors, that the duties of the tenant in villainage chiefly consisted. There were, however, additional services imposed by his tenure which, although not so severe, were yet distinctly felt and were sometimes the cause of trouble between lord and tenants. Prominent among these was the duty of grinding corn only at the lord's mill and paying there the customary toll. Another was the tenant's obligation to pen his sheep at night in the lord's sheepfold to increase the amount of manure for the demesne. On some manors there were yet others of slighter consequence.<sup>3</sup>

<sup>1</sup> Pollock and Maitland, I, 357.

<sup>2</sup> See cases at Stevenage, below, p. 325 n.

<sup>3</sup> See Vinogradoff, 164.

In addition to all this the tenant in villainage had to make to his lord a number of small payments in money and in kind. These were many, various, and often of uncertain origin. Some of them were apparently given in commutation of a part of the labor services; others were of the nature of an annual money rent; but the nature of some, as "boosing silver" and "wether silver" can hardly be conjectured. At Christmas and Easter the tenant made his lord presents of poultry, eggs, and sometimes sheep or pigs. If he failed to bring these presents after they had been usual for a long time, the manorial custom was shocked, and the lord was held to be justified in seizing them. The sum of all these payments and presents, while it was, like the amount of labor to be done, different on different manors, was yet decidedly felt on all, and sometimes became a severe tax on the tenant's resources.

Such was the nature of villain services in which the essence of villain tenure consisted. Following from their one time uncertainty was a characteristic of the tenure of great practical importance: it was not protected in the king's court.<sup>1</sup> To the freeholder the law of the realm afforded protection in the possession of his land; to the tenant in villainage, if he was ejected from his holding, whether he was a free-man or a villain, the law gave no redress. In the eyes of the law the lord of the manor was the owner of the villain land as truly as he was the owner of the demesne, and to him alone it offered protection. He might himself cultivate the land, lease it for a term of years, permit it to go to waste, or let it to his villains and exact from them whatever services he pleased and eject them at will, all without interference from the

<sup>1</sup> Pollock and Maitland, I, 343.



king's officers. There was, indeed, one class of manors upon which villain tenure was not precarious. These were the manors of Ancient Demesne, those manors that had belonged to the crown at the time of the Conquest or "on the day when King Edward the Confessor was both alive and dead." It mattered not what lord had become possessed of one of these manors, he could not tallage the villains on it except when the king tallaged his own villains; he could not exact from them more services than they had been accustomed to render, and he could not eject them so long as they performed their customary duties. The tenant on Ancient Demesne found in the king's court a protection that made him as secure in the possession of his land as a freeholder.<sup>1</sup>

And in fact on other manors the tenure of customary land, as that held by villain tenure was called, was not so precarious as a mere statement of the law might lead us to suppose. Against all except the lord the tenant found protection in the manorial court. The lord himself, of course, this court could not bind, and it sometimes occurred that he seized the villain's land, a proceeding for which there was no remedy unless it were in riots and insurrections. But such occurrences were rare. The lords maintained, but seldom exercised, the right to eject their villains so long as the services were duly rendered and the tenements were not wasted.<sup>2</sup> The same binding force of the manorial custom that protected the villain in his person and his personalty gave him some protection also in the possession of his land.

But the tenant in villainage was in no sense the owner

<sup>1</sup> For an explanation of this, see Pollock and Maitland, I, 383 ff.

<sup>2</sup> Pollock and Maitland, I, 360.

of the land he held, and his use of it was controlled by his lord in many ways. He was obliged to keep the buildings, hedges, and ditches in repair; he could not cut down the timber on it; he was not allowed to change at his discretion the cultivation of any portion of it. At the same time by reason of his status, if he were a villain he was unable to give up the land without his lord's consent, though if he were a freeman of course he might surrender it when he chose. If he wished to dispose of it to another, he had first to learn whether his lord was willing to receive that other as a tenant, and then he had to pay a fine for permission to make the transfer. He could not determine who should receive the land at his death. That was done by the custom of the manor subject in some degree to the will of the lord. Sometimes the heir was the villain's widow, who held the land until her death or until she married again; sometimes it was one of his sons, the youngest on those manors where "borough English" prevailed; sometimes, though very seldom, the holding was divided amongst his children. But whoever the heir might be, he did not receive the whole of the villain's possessions. He had to give up as a "heriot" usually the best beast and sometimes all the live-stock. Thus a heriot as paid by the tenants of the Bishop of Lichfield consisted of the best head of horned cattle, all horses, the cart, the caldron, all woollen cloth, all the bacon, all the swine except one, and all the swarms of bees; whereas on the manors of Battle Abbey villain tenants that owned no oxen paid no heriot at all.<sup>1</sup> After surrendering a heriot the heir had still to pay a fine on being admitted to the holding which as a rule was about

<sup>1</sup> Vinogradoff, 160.

equal to a year's value of it, though the amount of it varied on different manors.

The nature of villainage as it was in the thirteenth century will perhaps be made clearer by a contemporary description of a typical manor and of the duties of the tenants on it.

In the year 1252 a careful inquiry was made into the condition of certain manors in Huntingdonshire belonging to Ramsey Abbey, and a detailed account of them has been preserved and is printed in the Ramsey Cartulary. The account of the manor of Upwood and Great Raveley<sup>1</sup> begins with a description of the chapel and an itemized statement of the vicar's salary, which consisted almost entirely of agricultural produce, and was paid partly from the demesne and partly from the land of the tenants. There follows a list of names of the fields, or rather plats, that make up the demesne; "and the whole of this demesne can be cultivated by seven ploughs together with the customs of the villains, which are estimated at three ploughs through the year." Then comes a list of the plats used as pasture and never sown. After this, "The woods belonging to the said demesne are three, viz: Bottenhale, Uppenhale, and the wood called Raveley Wood; in which wood of Raveley all as well the free-men as the villains of Upwood and Raveley have right of common, except at the time when the deer cast their young, because the greater part of said wood is outside the banlieu. Also in the wood of Uppenhale John de Clervaux, Alexander Monk, and the heir of Thomas de Raveley [free tenants] have right of common with their plough beasts when the beasts of the Lord Abbot graze

<sup>1</sup> Cartularium Monasterii de Rameseia, ed. Hart and Lyons, I, 340-351.

there and at no other time ; for which right of common, if they use it, each of them shall do one day's ploughing at the time for barley sowing. In the same wood the reeve, beadle, and six "acre men" [ploughmen] shall have right of common with one male beast grazing after the Abbot's. And in that wood and in Bottenhale no one shall have right of common from Michaelmas to Martinmas, at the time when there is an abundance of acorns, except the Lord Abbot. But all shall have right of common in Bottenhale at other times except William Monk and his tenants, who have no right of common in Bottenhale and Uppenhale." Next are given the limits of the marsh within which the inhabitants had right of common. The lord's own cattle, which seem to have been more favored on the commons than the cattle of his tenants, consisted in two bulls and forty cows with their calves, sixty sheep, two wethers, and twenty-six hogs. "And all the sheep of strangers and of others of the village that have no land, which graze the lord's pasture, shall lie in the lord's sheepfold and not elsewhere."

"In the vill of Upwood and Great Raveley are eight hides, one and a half virgates of land, besides the demesne which contains it is not known how much. And four virgates make a hide and thirty acres make a virgate."

Now let us see how these one thousand and five acres are divided among the different classes of tenants. At the head of the list of occupiers there are, as there were sixty years before<sup>1</sup>, three freemen. These tenants in the course of the thirteenth century have become more dependent on the Abbot than their grandfathers had been. It was said of them in the time of King Richard I. that

<sup>1</sup> Cart. Rams., III, 270.

they owed suit to the courts of the county and hundred ; but now they owe suit to the Abbot. The first of them, Alexander Monk, holds one hide for which he does homage to the Abbot, and "forinsec service" ; and he and all his tenants must come to View of Frankpledge, "and the Abbot shall have the fines for their transgressions." Moreover, he must do three days ploughing for the Abbot with one plough at least, and with two if he has them ; and each of his tenants must find a man to work for the Abbot one day in harvest, and must plough for him one day, if they have ploughs ; and he or his bailiff must act as overseer for the Abbot for one day in harvest. Another freeman, John de Clervaux, holds half a hide for which he is bound to heavier services than Monk. He holds, besides, an "assart," *i. e.*, a piece of land formerly waste but now reduced to cultivation, and should pay two shilling a year for it, but refuses to do so. Five other assarts he holds without service, giving for them ten pence at Michaelmas. He is in possession of another plat of land without warrant which formerly four villains used to hold ; and he has exchanged with a villain of the Abbot a piece of sterile for a piece of good land that lies more convenient for him. On the whole, if John's services for his original half hide have been increased, he seems to be intent on making it up in another way. Not so the third freeman, known as the heir of Thomas de Raveley. He holds two virgates for which he does homage and suit of court, and "forinsec service," and he gives for each virgate six shillings a year. He must plow one "sellion" a week from Michaelmas to the first of August, except two weeks at Christmas and one at Whitsuntide, and he must come besides with his plough to all the "boon" ploughings. For a piece of pasture which he hold he pays three



measures of honey. Along with the villains he used to give twelve pence as tallage at Michaelmas, and at Easter as much as a virgate holder gives, "the which through the favor of Walter the Prior, Stephen then the Cellarer, and David de Burg, till now has been remitted, so that the body of the villains unjustly and to their great appression has paid it." He shall also come in arms at the summons of the Abbot.

The rest of the land is held in villain tenure, and it is sometimes amusing to note the minuteness with which the services due from the occupiers are itemized. Nicholas the son of Herman holds one virgate of land, and he pays for it in small sums known as "fishsilver," "wether silver," "wardpenny," etc., altogether about fourteen and a quarter pence a year. He pays also sixpence a year as sheriff's aid. He must give two-pence as "pannage," that is, for permission to let his pigs run in the woods. Out of every ten pigs he possesses, the lord takes annually the second best; he gives a cock at Christmas, five eggs at Easter, and four bushels of oats. Because of his villain status he is bound to give tallage, merchet, leyrwite, and gersuma when due. He is also liable for hidage; and at his death, by reason of his tenure, the Abbot is entitled to a heriot. The rest of his rent is paid in labor. "He shall perform three works a week from Michaelmas till the time for weeding [the grain] whatever labor shall be commanded him; and on a fourth day he shall plough one strip, whether he joins his team with another's or not." The amount he is expected to accomplish at one *opus* is carefully defined: "He shall thresh twenty-four sheaves of wheat or twenty-four of rye, thirty of barley, oats, peas, or beans. If he has to cut a new ditch, he shall do one rod three feet deep and five feet wide at the

top and two feet at the bottom; in [opening] an old ditch, he shall do two rods of the same depth and width." Between Michaelmas and Hokeday he shall gather four fagots of sticks and carry them to the manor house, and after Hokeday he shall gather and carry five [as an *opus*]; and whenever he gathers sticks in the marsh or the wood, he shall carry four fagots to a convenient place where the cart of the manor house can get them. He shall do the same about gathering material to make the enclosures for the fields as about getting wood. He must get five bundles in Raveley wood and six in Uppenhale and Bottenhale [as an *opus*] and take them on his back to the places that need to be enclosed. And in hedging, an *opus* shall consist in building thirty-four feet of the enclosure; an *opus* at harrowing consists in laboring from morning to evening in winter and from morning to sunset in spring; at wheat sowing, of ploughing one strip; at barley sowing of ploughing and harrowing one strip with the help of a neighbor, if that is the way he works his own land. He shall do "boon" ploughings as often as he is summoned. If the ploughing is ever omitted on account of unsuitable weather, he must make it up at another time. In weeding, an *opus* shall consist in working the whole day; but in mowing he has to work only until noon, except that he must gather in the afternoon, if necessary, the hay he has cut in the morning; and if he is set only to gathering hay, he must work the whole day. In addition to his weekly labor he and the other virgate holders have to mow the meadow called Benemedede, and they are paid altogether eight pence for doing so. Furthermore, with the help of one other virgate holder, he shall carry four cart loads of hay from the meadow of Northwode to the

manor house and two cart loads to Ramsey. He shall gather forty bundles of rushes in the marsh, which he shall carry to the manor house in his own cart; and if the marsh is too deep for his cart, he shall have the use of the Abbot's boat without pay. He shall serve as a messenger as often as and whithersoever it may be ordered; and if he returns the first day, it shall not be allowed him as one of his regular *opera*, but as long as it takes him after the first day he shall be free of other work. When the time for harvesting the grain arrives, he shall not only work for the Abbot five days a week, but he shall provide two other men to do the same. And he shall do the same amount after harvest, except that he has to provide only one man, till the Feast of the Nativity of the Virgin, doing whatever may be commanded him; but if he has had to do any harvesting before the first of August by reason of the early ripening of the grain, he shall be excused a like number of *opera* before the Nativity of the Virgin. After that time he shall do four days a week with one man, but he will not have to plough. During the harvest whenever he is ordered he must haul grain to the barn and find a man to take his place in the field. His whole family shall work at the harvest "boons"; at the first "boon" he shall have bread, beer, fresh meat, pottage, and cheese; at the others he shall have a fish, and bread shall be sold to him at three farthings a loaf [instead of a penny.] In addition to all this he must cut a half acre of grain as a "boon"; and two of his free days during harvest must be given as "boons." He must give three more "boon" days before Christmas, Whitsuntide, and the feast of St Benedict, doing whatever work he may be put at. And when he is ordered he must gather a peck of nuts in the woods. If he is

sick continuously for a year and a day, he shall be free from all work except ploughing ;, not so however if his illness continues longer. He cannot sell horse, ox, nor any male animal without leave of the bailiff, except on the day of Michaelmas, when he may sell as many pigs as he can dispose of before breakfast but not after that hour. If his wife survives him, she shall give five shillings as heriot, and shall be free of all work for thirty days ; and if the Abbot pleases, he can commute her labor dues for a money rent. "If he [sic] or his wife or any one else in his house dies, he shall be free of all work except ploughing as long as the body lies unburied." "On the day that he marries he shall entertain in good style, *honorifice*, according to his ability the servants of the manor house with bread, ale, and meat or fish." Such were the duties of Nicholas the son of Herman. It is hard to understand where he got time to cultivate his own virgate. His predecessor in the time of King Richard I. had worked one day less every week the year round, and if he performed any "boons," they were regarded as such, for no mention is made of them in the list of his services.

Twenty-four and a half other virgates are held on the same terms as that of Nicholas, and several of the holders have besides small pieces of land for which they pay a money rent at the rate of about twopence an acre. Then there are seven men called Acremen amongst whom are divided three virgates. They serve the lord as ploughmen every day in the year when it is necessary ; and if ploughing is not necessary, they are to do anything else commanded them. But if one of them fall ill, the Abbot must find a man to take his place at the plough. They must come with their families to "boons" when the virgate holders come ; and must

pay pannage, merchet, leyrwite, and tallage when due. But their widows give no heriot ; for on the day after the death of an Acreman, his widow must find a substitute to do the ploughing. Every third year three of them pay nine score eggs at Whitsuntide as a return for material to repair their homes ; the other four give for the same only three score eggs.

There are on the manor about twenty smaller holders whose work is lighter. William Hod, for example, has the house in which he lives, and he pays six pence a year for it. Richard le Cowherd has a house and two acres, and he must pay tallage when due, and perform whatever work is assigned him, two days a week throughout the year ; he must also carry fowls, eggs, and cheese to Ramsey, and act as driver to the plough whenever he is told. He gives a cock and two hens at Michaelmas, and is liable for pannage, merchet, and leyrwite ; but he cannot be called on to guard robbers at the manor house, and his wife surrenders no heriot at his death. Nine other men hold on the same terms as Richard an equal amount of land. Alexander, son of Mabel, holds his house and one acre, and does in all respects as Richard except that he works but one day a week. And Thomas Forester holds his house and croft for which he gives eight pence a year.

Here the account ends. The next glimpse we get of the condition of the villains on this manor is after a hundred and thirty-three years ; and in that time it will be seen that great changes had taken place.

Such was villainage in England in the middle of the thirteenth century, and such it remained with little change for another hundred years.



In villainage as a status there seems during that time to have been no change whatever. The rendering of chivage, merchet, leyrwite and gersuma, payments for the lord's permission to take holy orders, and fines for putting a son at school, prove that in the first half of the fourteenth century the obligation of a villain to remain on the manor was as binding as it had ever been.<sup>1</sup> Numerous examples testify likewise to his obligation to take such land as his lord should command and to render the services that according to custom were due from it.<sup>2</sup> Nor had he attained a greater security in the pos-

<sup>1</sup> Thus at Bright Waltham, Berks, in 1344, ten of the villains were paying annually as chivage amounts varying from a horseshoe to two pence.—Public Record Office, Court Rolls, 153/69. At Cuddington, Bucks, in 1331, five villains have left the manor; and it is ordered that if they have not been brought back before the next meeting of the court, their relations shall be distrained in all their lands and tenements.—Public Record Office, Court Rolls, 204/44.

Payments of merchet were frequent and the amounts varied as in the preceding century. At Cranfield, Beds, in 1322, a villain paid six pence.—Court Rolls, 179/220. Another at King's Ripton, Hunts, the same year, paid five shillings.—*Ibid.* At Bright Waltham, 1333, one paid seven shillings and four pence; another paid two shillings; a third, three shillings and four pence; whilst a fourth, in 1340, paid two shillings.—Court Rolls, 153/69. At Woolston, Berks, in 1333, a villain paid one shilling; another, in 1344, paid two shillings.—Court Rolls, 154/77.

At King's Ripton, 1322, there were two payments of leyrwite, each of two shillings.—Court Rolls, 179/220. At Cuddington a woman was fined, in 1331, one shilling as leyrwite; another, in 1332, five shillings.—Court Rolls, 204/44. At Bright Waltham, 1340, there was a payment of only six pence imposed.—Court Rolls, 153/69.

At Woolston, 1332, a villain paid thirteen shillings and six pence for permission to take holy orders; another, in 1340, paid six shillings and eight pence; a third, in 1346, was ordered to pay ten shillings, but was afterwards excused from it.—Court Rolls, 154/77.

<sup>2</sup> At Bright Waltham, in 1335, six widows that had come into possession of their husband's holdings without being able to render the labor that was due, were ordered, if they wished to retain the land, "se providere de maritis". In 1340 J. F., who held a messuage and half a virgate, had to pay two shillings for permission to give up the land, because he was unable to render the services due from it. Three other men at the same time paid six pence each not to be com-

session of his goods; for tallages were still uncertain, and seizures still occurred with sufficient frequency to prove the continued reality of his obligation to surrender to his lord what his lord chose to seize.<sup>1</sup>

But while the personal subjection of the villain to the will of his lord during this time remained unaltered, there has been a widespread belief in recent years that in the nature of villain tenure there occurred a fundamental change. It will be remembered that a large amount of agricultural labor constituted the chief incident of this tenure, that there was, therefore, a considerable degree of uncertainty about it, and, in consequence, it was unprotected by the king's court.

When Professor Thorold Rogers, after an extensive study of the manorial records, published in 1866 the first two volumes of his "*History of Agriculture and Prices*", he expressed the opinion that by the end of the second quarter of the fourteenth century there were few villains still held to the performance of predial services, and that their tenure had ceased to be pre-

pelled to take customary land.—Court Rolls, 153/69. At Woolston, 1340, R. G. gave up his messuage and half virgate, because he could not render the necessary services; whereupon T. S. had to pay three shillings three pence that he might not be forced to take the holding, and another villain paid six shillings eight pence for the same thing.—Court Rolls, 154/77.

<sup>1</sup> At Woolston, in 1326, the tallage imposed on the tenants amounted to 13s. 4d.; in 1336, to 20s.; in 1344, to 30s.; in 1346, to 60s.; in 1348, to 33s. 4d.—Court Rolls, 154/77.

At Girtton, 1322, a villain bought two acres of free land. He was fined six pence for doing so; and had to find men to act as pledges that he would not alienate the land without the lord's consent; another villain at Hemingford was fined forty pence for the same thing; and a third at Hemingford, the following year, was fined 20s. for purchasing only half a rood of free land.—Court Rolls, 179/20. At Stevenage, Herts, 1350, a villain died of the plague after he had become possessed of some free land. The bailiff seized a heriot; but it was decided that the lord was not entitled to a heriot in this case, because he had previously neglected to seize the land.—Court Rolls, 178/48.

carious.<sup>1</sup> He then proceeded to describe the embarrassment of the manorial lords by reason of the increased price of labor after the Black Death; and propounded the theory that to relieve themselves of this embarrassment the lords sought to revive the old system, once more exacted the labor services, and refused any longer to receive the annual payments in money for which they had been commuted.<sup>2</sup> It was, in his opinion, this reactionary and oppressive attempt on the part of the landowners that led to the so-called Peasant's Revolt in 1381. In his "Six Centuries of Work and Wages", published in 1884, he expressed more positively his continued belief in this theory.<sup>3</sup> Bishop Stubbs,<sup>4</sup> Gneist,<sup>5</sup> Green,<sup>6</sup> and other historians agreed with him. But Dr. Cunningham, whose "Growth of English Industry and Commerce" appeared in 1890, expressed the opinion, based on records preserved in the British Museum from four manors, that a general commutation of services for money did not take place so early as Professor Rogers supposed; that, on the contrary, they were commonly rendered throughout the fifteenth century.<sup>7</sup> He acknowledged, however, that a partial commutation had taken place before the Black Death, and agreed with Professor Rogers that the endeavor of the lords to check the process and re-establish the old order was the main cause of the insurrection under Wat Tyler.<sup>8</sup> In 1888, in the first part of his "Intro-

<sup>1</sup> Rogers, *op. cit.*, I, 81.

<sup>2</sup> *Ibid.*, 82.

<sup>3</sup> Rogers, "Six Centuries", 218, 219, 254.

<sup>4</sup> Stubbs, "Constitutional History of England", II, 473ff.

<sup>5</sup> Gneist, "Englische Verfassungsgeschichte", 444.

<sup>6</sup> Green, "Short History of the English People", Revised Edition, 249ff.

<sup>7</sup> Cunningham, *op. cit.*, I, 356, note VII; and I, 360.

<sup>8</sup> *Ibid.*, 357.

duction to English Economic History and Theory", Professor Ashley had accepted Mr. Rogers' theory so far as the time of the abolition of predial services was concerned;<sup>1</sup> but in the second part, published in 1892, he combatted the supposition that the oppressive action of the lords forced the peasants to revolt, and pointed out that the general insurrection of the working class could be accounted for on other grounds.<sup>2</sup> It is only by an appeal to the records kept by the manorial officers themselves that the questions at issue between these writers can be settled.<sup>3</sup>

From such an appeal it becomes evident that at the end of the first half of the fourteenth century a commutation of labor services for fixed annual money payments had indeed begun, but that it had made very little progress. It is very doubtful whether its further progress until that time would have been possible, even if both lords and villains had been anxious for it; for such a transition presupposes an advance of the economic condition of the country in several directions. ✓

In the first place, when the lord abolished predial services, if he did not wish to give up cultivating the manor, he must hire enough free laborers to do the work that had formerly been done by his villains. Now whether the class of freemen had increased enough for this it is impossible to say with certainty. That it had grown to some extent there can be no doubt. On nearly every manor there had always been a few men at least who paid the lord small sums for the houses in which

<sup>1</sup> Ashley, *op. cit.*, I, Pt. I (Am. Ed., Vol. I), p. 31.

<sup>2</sup> *Ibid.*, I, Pt. II (Am. Ed., Vol. II), p. 265.

<sup>3</sup> Compare my "Umwandlung der Frohndienste in Geldrenten in England," Baltimore, 1897.

they lived,<sup>1</sup> and who eked out their living by laboring on the demesne or on the land of their neighbors. Aside from the natural increase there were three ways in which this class had grown.

The first way was through the flight of the villains from the manors where they were held in bondage. After the Black Death it became extremely common, as we shall see, for them to seek freedom by flight; and in earlier ages instances of it, though rarer, are found in the court rolls of many manors.<sup>2</sup> Nor was it a simple matter for the lord to force the fugitive to return; for should he not capture him within four days, he could gain possession of him again only by process of law, and the king's courts intentionally made it difficult to reduce such fugitives once more to villainage.<sup>3</sup> Some of them took service with the king, or put themselves under the protection of a powerful nobleman; <sup>4</sup> others ventured to settle even in the neighborhood of their old homes; <sup>5</sup> indeed it was not unusual for land owners to offer special inducements to persuade tenants of their neighbors to desert to them.<sup>6</sup> Very often the fugitives made their way to the chartered towns or to the king's demesne, and after a residence there of a year and a day they were acknowledged as freemen. The ease with which a villain could secure

<sup>1</sup> See cases of William Hod and Thomas Forester at Upwood. Above, p. 323.

<sup>2</sup> At Aylton, for example, the jury reports nine men in 1272, "qui se subtraxerunt cum catallis suis de feodo domini." Court Rolls, 179/15.

<sup>3</sup> Vinogradoff, 84.

<sup>4</sup> Thus at Weston, 1309, A.B. "dicit aperte et maliciose quod de cetero non erit domino Abbati obediens nec residebit super feodum suum cum catallis suis. Immo se ponit in advocacione aliorum magnatum." Court Rolls, 179/15.

<sup>5</sup> In 1309, three villains left Hemingford without permission and settled at Barton, although both manors belonged to the same lord. Court Rolls, 179/15.

<sup>6</sup> Vinogradoff, 158.



his freedom by flight when his lot became unbearable at home<sup>1</sup> did not fail to have some effect on the treatment accorded him by his lord, and was without doubt one reason why the custom of the manor was so seldom violated. Occasionally these run-a-ways won distinction in arms or in the church, and then they became free by being knighted or by receiving holy orders.<sup>2</sup>

Another way in which the class of free laborers had been enlarged was through the manumission of villains by their lords. Sometimes this manumission was purchased by the villain<sup>3</sup>; sometimes it was the free gift of the lord; sometimes it was implied by certain acts of the lord, such as granting the villain land to be held freely by him and his heirs, or by producing him as champion or compurgator in the King's Court.<sup>4</sup> That it was of frequent occurrence is evident from the allusions to it in the manorial records, from the number of charters of manumission which have been preserved, and from the attention devoted to the subject by the lawyers of the time.

The class of free men had been swelled, lastly, by those villains that attained their liberty by prescription.<sup>5</sup> There must in the course of time have grown up on many manors a small class of men for whom the lord could find no land and whom he did not therefore employ. To these men it was customary to grant permission to reside off the manor provided they attended the Court Leet once or twice a year and made some

<sup>1</sup>At Woolston in 1329 J. P., "qui tenuit unum messuagium cum decem acris terre in villenagio recessit a dominico propter impotenciam ejus." Court Rolls, 154/77.

<sup>2</sup>Pollock and Maitland, I, 412.

<sup>3</sup>A villain at Bright Waltham, 1341, "ut possit recedere ex dominio et pro libero habeatur dat de fine decem solidos".—Court Rolls, 153/69.

<sup>4</sup>Pollock and Maitland, I, 410.

<sup>5</sup>*Ibid.*, I, 412.

small annual payment, a chicken, a horseshoe, or a few pence, to keep alive the feeling of dependence. Now these men frequently changed their place of abode, ceased their attendance at the Court Leet, and passed with their children out of the ken of the lord and his servants. Such men's descendants, since the lord's right of action to force their return was subject to a prescriptive term, contributed largely to the growth of the class of free laborers.

✓ Supposing, however, that there were enough of these free men in the country to render it possible for the lord to dispense with the services of his villains—a hypothesis that can be neither proved nor disproved—there was yet a second condition which must be fulfilled before this great change could take place. There must be enough money in circulation in the country to enable ✓ the villains to pay their lord for this great lightening of their burdens, and thereby put it in his power to hire what labor he needed.

It seems that in the generation before the Black Death this second condition had not been fulfilled. It is true, as many writers have remarked<sup>1</sup>, that England had made greater progress in the so-called money economy than the other countries of Western Europe, with the possible exception of the Netherlands. The reasons of this are obvious: England was favorably situated for inland as well as for foreign trade; she was partly protected by the channel from the incursions of more powerful foes; and she had, as compared with her neighbors, a strong central government and a well established system of justice and police. Moreover,

<sup>1</sup> Compare Vinogradoff, 179; Nasse, "Einbegungen des 16. Jahrhunderts in England", 50; Ochenkowski, "England's wirtschaftliche Entwicklung", 9; Ashley, "English Economic History", I, 43.

with a wisdom far in advance of the age, her kings had maintained the purity of the currency; and large supplies of silver were drawn to the country, and made available for the mint by the wool trade of the Easterling merchants. It was probably this development of the money system which early in the thirteenth century had already brought freedom to the men of Kent. "The great roads which join London to the seaboard are the arteries along which flows money, the most destructive solvent of seignorial power."<sup>1</sup> But Kent was exceptionally favored by its location; the other counties had witnessed no such development; and in the country at large the evidences of the transition to a money system are found chiefly in the financial affairs of the government. On the manors the system was to some slight degree a mixed one, but the natural economy largely predominated. Few things were bought for which the bailiff had to pay money; and the wages even of the free laborers that were hired consisted chiefly in kind.<sup>2</sup> Professor Ashley has pointed out how gradually a money system established itself in the affairs of the Chapter of St. Paul's.<sup>3</sup> It was not before the fifteenth century that the canons received their salaries in money instead of in bread, beer, etc.; and that the *firmac*, or

<sup>1</sup> Pollock and Maitland, I, 166.

<sup>2</sup> The highest money payments seen by me that were made to laborers on the manors in the first half of the fourteenth century were at Somersham, Hunts. There, in 1341, two carters hired by the year were paid one 7s., the other 6s.; four ploughmen got 5s. each by the year. Ploughmen hired by the day in spring got 1½*d.* In addition to the money payments those laborers maintained by the year received, of course, various payments in kind. (Public Record Office, Minister's Accounts, 1135/8.) At Aylton, in the same county, 1325, one carter was hired who received 4s., and eight ploughmen who received 3s. 6*d.* (Minister's Accounts, 874 7); and this seems to have been the average amount of the money payments made to laborers employed by the year.

<sup>3</sup> "Economic History of England", I, Pt. I, p. 44ff.

rents in agricultural produce of the farmers of the manors belonging to the Chapter were replaced by rents in money. And this was in London, where a money economy should have developed earliest. The new system made no great progress in the country districts before the middle of the reign of Edward III. The spoils of Calais and the new cloth industry increased the amount of money in circulation after that time ; but it was the Black Death, which, by destroying nearly half the population while leaving the available capital and the medium of exchange as great as ever, hastened the transition from a system of barter to a system of money payments. Before that event it does not seem that the change had gone far enough to render possible a complete abolition of the predial services of the villains.✓

A careful study of the manorial records that have been preserved at the Public Record Office, the British Museum and the Library of St. Paul's Cathedral, has resulted in disclosing to what a small extent free labor had taken the place of the labor of the villains. It will be remembered that the latter had consisted for the most part in what German writers call *Handdienste*, that is, in work with the hands, as contrasted with work with a team. Now there are in the above mentioned collections reports dated between 1325 and 1350 of eighty-one manors lying in the part of England under consideration. On only six of these had the predial services of the villains been completely abolished ; on nine the villains performed little even of the *Handdienste* that were needed on the demesne ; while on twenty-two fully half of the necessary labor was furnished by them ; and on forty-four they did practically all the work, labor being hired only for the greater part of the team work.

TABLE I.—SHOWING LOCATION OF MANORS, ETC.

[The following table will show the location of these manors and, where it has been possible to discover it, the owner of each and the average number of acres of demesne annually cultivated. The letter X in the column following the name of the manor indicates that the villains performed practically all the labor, except the team work, that was necessary; Y, that they performed about half of it; Z, that they performed an insignificant part of it; O, that the predial services had been abolished. The information from which the table has been constructed, unless otherwise stated in the foot-notes, is derived from the manorial records that are alphabetically arranged in the Public Record Office, London, under the heads of *Ministers' Accounts* and *Court Rolls*.]

Name of Manor.	Work Done by Villains.	County.	Owner.	Acres Sown.
Barton -----	X	Bedford -----	Ramsey Abbey -----	
Cranfield -----	X	" -----	" -----	
Shillington -----	X	" -----	" -----	
Bright Waltham -----	Y	Berkshire -----	Battle Abbey -----	450
Crookham -----	X	" -----		
Hinton -----	X	" -----		
Woolston -----	X	" -----		330
Aston Bernard -----	Z	Buckingham -----		
Ditton -----	Z	" -----		250
Langley Marsh -----	Y	" -----	The Queen -----	400
Wendover -----	Z	" -----		
Westcot -----	Z	" -----	The King -----	140
Whaddon -----	X	" -----	Earl of March -----	150
Chatteris -----	X	Cambridge -----	Ramsey Abbey -----	
Elsworth -----	X	" -----	" -----	
Graveley -----	X	" -----	" -----	
Knapwell -----	X	" -----	" -----	
Soham <sup>1</sup> -----	Y	" -----		275
Great Shelford -----	Y	" -----	Bishop of Ely -----	
Wilburton <sup>2</sup> -----	X	" -----		
Barrington <sup>3</sup> -----	O	" -----		
Bardfield -----	X	Essex -----		400
Clacton <sup>4</sup> -----	X	" -----	St. Paul's -----	
Claret -----	Z	" -----		
Fearing <sup>5</sup> -----	Y	" -----	St. Paul's -----	400
Hoton -----	Y	" -----	Battle Abbey -----	325
Wickham -----	Y	" -----	St. Paul's -----	190
Cheltenham -----	Y	Gloucester -----		
Hawkesbury -----	Z	" -----		
Ashwell <sup>6</sup> -----	Z	Hertford -----	St. Paul's -----	250
Meesden -----	Y	" -----		220
Standon -----	Y	" -----		240
Stevenage -----	X	" -----	Westminster Abbey -----	325

<sup>1</sup> British Museum, Add. Charters, 10449 ff.<sup>2</sup> *English Hist. Review*, July, 1894.<sup>3</sup> Cunningham, "Growth of Eng. Industry and Commerce," I., 584.<sup>4</sup> St. Paul's Cathedral Library, Press B, Boxes 77 and 89.<sup>5</sup> *Ibid.*, 81 ff.<sup>6</sup> *Ibid.*, 81 ff.



Name of Manor.	Work Done by Villians.	County.	Owner.	Acres Sown.
Stortford	X	Hertford	St. Paul's	
Symondshyde <sup>1</sup>	X	"	"	125
Aylton	X	Huntingdon	Ramsey Abbey	
Brington	X	"	"	
Bythorn	X	"	"	
Holywell	X	"	"	
Houghton	X	"	"	375
Abbot's Ripton	X	"	"	400
Slepe	X	"	"	275
Somersham	X	"	Bishop of Ely	250
Warboys <sup>2</sup>	X	"	Ramsey Abbey	
Weston	X	"	"	375
Wistow <sup>3</sup>	X	"	"	
Stalingbury <sup>4</sup>	O	Lincoln		
Thurlby	O	"		
Fulham <sup>5</sup>	X	Middlesex	St. Paul's	
Teddington	X	"	Westminster Abbey	
Bereham	Z	Norfolk		70
Brancaster	Y	"	Ramsey Abbey	
Bresingham <sup>6</sup>	X	"		180
Framlingham <sup>7</sup>	X	"		280
Great Cressingham	X	"		
Popinho	Y	"	Ramsey Abbey	105
Wooton	X	Northampton		
Henley-on-Thames	O	Oxford		
Stratton	Z	"	Bicester Priory	
Market Overton	Y	Rutland	Earl of Oxford	175
Ansey	O	Southampton	Battle Abbey	118
Bowcombe	Y	Isle of Wight	Netley Abbey	175
Wroxall	Y	"	"	100
Clare	Y	Suffolk		625
Erbury	X	"	Battle Abbey	
Lawshall	Y	"	Ramsey Abbey	300
Lidgate	X	"		525
Icklingham <sup>8</sup>	Y	"		200
Pakenham <sup>9</sup>	X	"		125
Woodhall	Y	"	Earl of March	140
Henley	O	Surrey	The King	190
Horsley	X	"		
Shene	Y	"	The King	225
Appledram	Y	Sussex		250
Lullington	X	"	Battle Abbey	275
Bromham	X	Wiltshire		240
Castle Combe <sup>10</sup>	X	"	Lord Tiptoft	
Heytesbury, East	X	"		
Heytesbury, West	X	"		450
Sevenhampton	Y	"		
Tytherington	X	"		

<sup>1</sup> British Museum, Add. Charters, 28737 and 28779.<sup>2</sup> *Ibid.*, 39800 ff.<sup>3</sup> *Ibid.*, 39897 ff.<sup>4</sup> *Ibid.*, 25860.<sup>5</sup> St. Paul's Library, Press B, Box 91.<sup>6</sup> British Museum, Add. Charters, 16536 ff.<sup>7</sup> *Ibid.*, 16552.<sup>8</sup> *Ibid.*, 25810.<sup>9</sup> *Ibid.*, 9109.<sup>10</sup> *Ibid.*, 28208.

Against the opinion that predial services had been abolished by the middle of the fourteenth century, the table on pages 348-352 speaks almost as strongly as the one just given. For no instance has been found of a manor where the villains were held to labor for their lord after the Black Death, unless they had been accustomed to do so before that event; on the contrary, many lords that had formerly cultivated their demesnes with the labor of their villains were forced by the circumstances arising out of the plague to commute such labor for money payments.<sup>1</sup> A glance at the table on pages 348-352 shows us forty-one manors in addition to those mentioned above where during the generation succeeding the Plague predial services to some extent were still being exacted from the villains; and even on the others appearing in the table it will be shown that the abolition in many cases was of very recent date.

So far then as concerns predial services it is clear that tenure in villainage was not different in the middle of the fourteenth century from what it had been a hundred years before.

And the same is true of the other incidents of the tenure. The necessity under which the tenant in villainage lay of keeping his holding in repair, his inability to alienate it without his lord's permission or to institute an heir, his obligation to perform the minor duties imposed upon him by the custom of the manor<sup>2</sup>—all these not only continued throughout this period, but,

<sup>1</sup> See below, pp. 345-348.

<sup>2</sup> Thus at Therfield, 1323, various villains that had secured hand-mills were fined 40d each "quia molant bladum proprium et bladum alterutrus in prejudicione domini." Court Rolls, 179/21. At Ellsworth, 1327, J. B. was fined 3d "quia permisit oves suas jacere extra faldam domini quum tempus opportunum erat jacere in falda." Court Rolls, 179/23.

as will be shown, were often preserved long after the predial services had been abolished.

The status and the tenure of Nicholas the son of Herman, villain of the Lord Abbot of Ramsey regardant to his manor of Upwood, County Hunts,<sup>1</sup> were typical of English villainage for nearly a century after the record that describes them was drawn up. But just before the end of that time there occurred an event so pregnant with results to the villains, so disastrous to the old system of manorial organization, and therefore of such influence on the future development of the country, that it deserves to be regarded as one of the chief turning points of English economic history. I allude of course to the Black Death.

This plague first appeared in England in 1348; and before its ravages were over nearly a half of the population had perished. Death appeared so suddenly and in a form so fearful, that even the Scotch marauders who came storming over the border, accustomed though they were to wild scenes of rapine and bloodshed, were struck with horror; and those of them that returned home, coined a new oath out of what they dreaded most and swore "by the foul deth of Engeland."<sup>2</sup>

During the prevalence of the plague agricultural affairs were in a condition of anarchy. On some manors cultivation seems to have ceased altogether; and the bailiffs' accounts, which are complete for the years preceding and following this fearful visitation, show a break here of several years. The accounts of other manors are begun and broken off in the middle; and it is with a gruesome feeling that the investigator

<sup>1</sup> Above p. 319.

<sup>2</sup> Knyghton, *Chronicles*, II, 62.

realizes that the hand which penned the heading of them, leaving a blank space for the date when the account should end, was paralyzed by death before that space was filled. On yet other manors the bailiffs were able to send in their reports as usual ; so that from them and from the minutes of the manorial courts, when such could be held, it is possible to learn what the country people were suffering. They tell us that agricultural operations had to be restricted or suspended altogether ; that very often grain sown in the autumn of 1348 or the spring of 1349 had to be left standing in the field for lack of laborers to harvest it.<sup>1</sup> The men that had sown and reaped, stowed and gathered on the lord's demesne now heard a summons more urgent than the bailiff's, and prepared to appear before that dread court in comparison with which the Halimote and Leet, that had hitherto held them to their duty, lost all their power to awe. The villains for the most part refused to work, some pleading sickness, some taking advantage of the disorder in the management of the manor ; while the free laborers, if they consented to work at all, did so only at a price so exorbitant that the bailiff could seldom afford to hire them. The land owners sought assistance from the government ; and as early as June, 1349, appeared King Edward's famous proclamation to the effect that all who could work and were dependent on their work for a livelihood should give their labor at the accustomed rate of wages. But the king's attempt to help the landowners was vain, and so much land went out of cultivation that the country was threatened with a famine.

When at last pestilence and terror ceased their baleful

<sup>1</sup> Compare the accounts for Stevenage, Herts, (Min. Acc. 871-17) for Paddington, Middlesex. (Min. Acc. 917/25), etc.

work, the whole face of the country had been altered. Neglect was written large in the landscape. There were few districts where well tilled fields had not given place to the wilderness and rich meadows relapsed into their primeval condition of swamp or fen. Only twice in modern history has an agricultural country undergone so great a catastrophe. The first time was when Germany passed through the long agony of the Thirty Years War. This case differed from that of England in that the loss of human life was accompanied by an equally great destruction of capital, of all the means by which men earned a living; and generations passed before the country regained as prosperous an economic condition as it had attained when Slawata and Martinitz got their celebrated fall from the window in Prague. The second time was when the Southern States of the American Union were plunged into a war which resulted in what has been pronounced one of the greatest economic revolutions in all history. Here there was no great diminution of the amount of labor, as there had been in England and in Germany, but rather a destruction of the best powers of organizing of the land owning class, and a substitution for the old system of labor of one for which the country was not ready by reason of lack of capital. In other words, Germany in 1648 lacked organization, labor, and capital; the Southern States in 1865 lacked organization and capital; England in 1350 lacked organization and labor.

The old organization was, indeed, broken down. On many manors the bailiff, trusted and respected equally by lord and tenants, had died with all his family.<sup>1</sup> Those wiser and older members of the village community who had interpreted the custom of the

<sup>1</sup> As at Cuxham. Rogers, "Agriculture and Prices," I, 673.



manor, and whose influence was strongest on the decisions of the manorial court, had likewise perished.<sup>1</sup>

Their places were vacant or were held by new men, landless men that had formerly eked out a scanty existence as the hired laborers of those whose houses they now occupied, careless of the rights of their new lord, and ready to join with any in efforts to throw off the burdens that the villain class had borne for centuries.<sup>2</sup> This period of disorder was the opportunity of those villains that were left alive, and it will be seen that they did not lose it.

In describing the effects of the Black Death on villainage it will be convenient to begin with that which it exercised on the heaviest incident of villain tenure, the obligation of performing predial services.

It appears, then, from the manorial accounts that the pestilence destroyed about a half of the tenants that were liable to be called on for this work; and it was seldom that the lord could remedy the great diminution of the labor necessary on his demesne by letting the land of those that were dead to new tenants who would be willing to hold it on the old terms. Sometimes it could be done<sup>3</sup>; for, as has been seen, the predial services on some manors were lighter than on others, and

<sup>1</sup> At Bigging, Hunts, 1351, the bailiff gives no account of how the *opera* of the villains were used, "quia nulli custumarii qui debent operare!" Min. Acc., 875/1.

<sup>2</sup> The manorial records are full of entries showing the disorder that prevailed in the years following the plague. At Shillington, 1351, the jury was several times fined for not presenting transgressions committed by the tenants. (Court Rolls, 179 33). The same year, A. R. was punished there for removing the boundary marks between the demesne and the customary land (*Ibid.*).—At Glatton, Hunts, the bailiff says it is unknown how many *opera* are due because of the pestilence (Minn. Acc. 876/16.)

<sup>3</sup> This had been done in 1351 at Great Shelford. (Min. Acc., 1133/2.)

men of the class of free laborers occasionally agreed to take the land and hold it according to the old custom of the manor. It will be remembered, further, that the lord could compel one of his villains through the instrumentality of the manorial court, to receive land in villainage and to cultivate it. He now availed himself where he could of this right, and thus disposed of a part of the vacant holdings.<sup>1</sup> This was, however, a very limited means of meeting the difficulty; for most of the villains had lost a large part of the labor by which they had cultivated their land, and in consequence were seldom in a condition to increase their holdings, especially when it would add to the amount of work they must do for the lord. For the most part, therefore, the land had to be left in the hands of the widow and children of the former tenant, who were unable to perform the services hitherto due, or it had to be let to a freeman at a small money rent.<sup>2</sup> Quite frequently no one could be found

<sup>1</sup> At Cranfield a jury of six was appointed to inquire into the ability of the villains to hold more lands. They report eight villains as being "*abiles et sufficientes*" to receive certain holdings which are named for each of them; and the men reported were required to take the holdings and make oath that they would maintain them according to the custom of the manor.—Court Rolls, 179/33. At Therfield five men that held free land or but little customary land in 1351 were ordered to take more of the latter. But several of them "*venderunt quod habuerunt et recesserunt nocitante*".—Court Rolls, 179/24. At Houghton, 1357, P. B. was ordered to return to the manor in order that he might receive a vacant holding.—Court Rolls, 179/36. At Burwell, 1350, three villains "*retraxerunt se de dominio et terra sua tradita toto homagio ad faciendum servicia et consuetudines*".—Court Rolls, 179/33.

<sup>2</sup> At a court held at Bright Waltham, 1350, the holders of ten villain tenements were reported dead. Of the holdings, four went to the widows on the old terms, one to a son, one to a daughter, and one was let to another villain on the old terms; one was let at a money rent, one for part money part labor, and one was said to be in charge of the executors of the deceased tenant. On the same day two women surrendered their holdings, "*quia sine auxilio ad faciendum consuetudines dictae terre*". Court Rolls, 153/69.

to take the land on any terms, and it was allowed to become waste and the buildings on it to fall into ruins.<sup>1</sup> Thus one effect of the Black Death was the immediate disappearance of a large part of the predial services. ✓

Now, since the lord could not command the labor of so many villains, and since hired labor was to be had only at a price that made it difficult for him to get it, could he not cultivate his demesne by requiring more work to be done by those villains that were left to him? The temptation to do this may have presented itself, but various considerations prevented his yielding to it. It should not be forgotten, in the first place, that the lord was influenced by the custom of the manor which acted as a strong check on any arbitrary impositions he might wish to lay. In the second place, the villains on most manors, having lost through the death of members of their households much of their own labor power, were in no condition to do more work on the demesne than was customary, and the lord realizing this would refrain from demanding it of them. Lastly, there was no means during the years of disorganization that followed the pestilence by which the lord could enforce his will, if he attempted to inflict heavier burdens on the villains than they themselves thought it right that they should bear. For these reasons the Black Death caused no increase of the burdens of those villains that remained in possession of their old holdings.

<sup>1</sup> At Cuddington, Suffolk, in 1350, five free tenants were reported dead and their sons inherited their holdings. Twelve virgate holders were dead and their virgates in the hands of the lord "quia nullus sequitur"; while the virgate of another went to his son. Two holders of half virgates were dead, and their land in the hands of the lord; that of a third went to his son, who, however, could pay no heriot on account of poverty. Another virgate went to a widow. There was one virgate in the hands of the lord because the tenant had run away.—Court Rolls, 204/44.

But this was not all. Instead of permitting the lords to lay heavier impositions upon them, the villains seized the opportunity to lighten those they already bore. Sometimes they did this by collusion with the lord's agents, whose dishonesty has left traces in the records of many manors.<sup>1</sup> It seems, indeed, to have been as difficult to supply the positions of steward, bailiff, reeve, etc., in a satisfactory way as it was to find good men for the responsible positions in the church, and how hard that was the Chronicler Knyghton has expressly told us. Very often the villains pleaded poverty and inability to render the customary services, whereupon some lords immediately compromised with them for a yearly money rent.<sup>2</sup> If their plea was not allowed, they simply refused to work and resisted all efforts at coercion. When this happened, the lord found it extremely difficult to hold them to their duty; for the usual means by which

<sup>1</sup> Thus at Houghton, 1350, the beadle and the reeve are accused of using on their own land *opera* that should have been expended on the demesne.—Court Rolls, 179/33. At Barton, 1351, the reeve ploughed and sowed his own land with the plough and seed of the lord.—Court Rolls, 179/34. At Cranfield, 1364, the reeve "*fugavit caretarium ex manerio per quod dominus fuit destitutus de uno caretario*".—Court Rolls, 179-37. At Upwood the same year the beadle was fined 40*d.* for malfeasance in office.—*Ibid.* At Bright Waltham, 1356, the bailiff was accused of using the ploughs and ploughmen of the lord on his own behalf.—Court Rolls, 153/69. Such examples might be multiplied indefinitely.

<sup>2</sup> At Hinton, Berks, the bailiff reports in 1377, that the former lord before his death had commuted the services of the villains for money, "*eo quod custumarii impotentes ad facienda dicta opera et pro eorum paupertate*".—Min. Acc., 652/10535. At Layham, Suffol., the *custumarii* were permitted to change their predial services for a money rent in 1362.—Min. Acc., 1002/10. At Castle Combe, Wilts, Lord John Tiptoft commuted the services of his villains for money payments in 1352.—Brit. Mus., Add. Mss., 28208, p. 51. The same thing took place temporarily at Aylton, Hunts, in 1351.—Min. Acc., 874/12. Sometimes the lord permitted an amelioration in the case of individuals but not of the body of the villains. Thus, at Steven-

he had hitherto done so, namely by fines imposed in the manorial court, were no longer sufficient, whereas any departure from the old customs on his part would seem to justify the villains in their resistance. These fines had once been more than the money equivalent of the work left undone, but as they were now no higher, they were not equal to what the lord would have to pay a free laborer, or what the villain could get by hiring himself to another man. The court rolls of this period are therefore, full of the names of men presented by the bailiff for not coming to do their work on the lord's demesne.<sup>1</sup>

There had been another expedient by which the lord could hold his tenants to their duty, a last expedient resorted to only in cases of extreme necessity: ejection from their holdings. But how completely had this now ceased to accomplish the desired purpose! With more vacant holdings on his hands already than he could dispose of, the object of the lord was by all means to keep the others occupied; and instead of using ejection as a threat, he was in constant

age, 1354, S. G. "tenuit unam vergatam reddendo inde per annum in serviciis et consuetudinibus xxii solidos. Et dictus S. G. pauper et impotens dictam virgatam tenere. Ideo concessum est per dominum quod S. G. habeat et teneat predictam terram reddendo inde xiii solidos iv denarios pro omnibus serviciis et consuetudinibus".—Court Rolls, 178/48. At Weston, 1370, J. O. "non arat terram domini causa paupertati".—Court Rolls, 179/238.

<sup>1</sup> At Shillington, 1350, thirty-six fines were imposed on tenants in villainage for not performing their *opera*. At Houghton the same year 45 were guilty of the same offence; 13 "fuerunt inobedientes;" 7 "fregerunt attachiamenta ballivi et noluerunt venire [ad facienda servicia] domino abbati." Court Rolls 179/33. At Hemingford, 1351, J. B. was fined 2s. "pro rescusso facto et insulta facta ballivo domini." Court Rolls 179/34. At Warboys, 1354, 102 were accused of not working or working badly. Court Rolls, 179/35. At Abbot's Ripton, 1360, J. N. "est rebelliosus ballivo et sociis suis." Court Rolls, 179/36.



fear of desertion.<sup>1</sup> It was indeed just this fear of desertion that forced him to make concessions to the villains and commute their predial services for money. ✓

It has been seen above that even before the plague the villains sometimes ran away, but that they resorted to this means of changing their lot more seldom than they otherwise might have done, because there were few means by which they could earn a livelihood away from home. That was now changed. Not only would the cloth industry, which had been expanding under the fostering care of Edward III, offer employment to some of the fugitives, but also when they ran away they were sure of being welcomed on the manors of neighboring lords and would be given as much land as they wanted on the same terms as those offered to freemen. Desertion, therefore, became very common and remained so for years.<sup>2</sup>

Influenced by this practice on the part of the villains the lords generally agreed to make concessions, and the process of commutation went on apace. Occasionally

<sup>1</sup> At Therfield, 1350, J. C. was presented by the jury, "quia excitavit tenentes domini ut recederent de terra sua." Court Rolls, 179/34. At Shillington, 1351, A. H. "dimisit terram suam libero tenenti." Two other villains do likewise. Court Rolls, 179/34. At Cranfield, 1357, five villains "dimiserunt terram nativam liberis sine licentia." Court Rolls, 179/36.

<sup>2</sup> At Weston, 1354, three villains ran off "nescitur quo."—Court Rolls, 179/35. At Woolston, 1355, C. C. "dat domino ut possit deseruere ubicunque voluerit ex dominio iii solidos." In 1356 two others paid each 20s. for the same thing. In 1357 one "recessit a dominio et dereliquit terram suam."—Ct. R., 154/77. At Chilton, Suffolk, W. R. had run away in 1356, but was captured and had to find pledges that he would serve the lord during the lord's will. The same fate overtook a man and one of two women that fled two years later. In 1359 nine ran off and four of them were not retaken.—Ct. R., 203/25. At Therfield, 1369, John Atwood, who held 23 acres in villainage, fled from the manor by night with his whole family.—Ct. R., 179/38. At Abbot's Ripton, 1369, J. P. successfully resisted the bailiff's attempt to capture him, and escaped taking with him his horses.—*Ibid.* At

the whole body of tenants in villainage were freed from predial services at the same time;<sup>1</sup> but usually the change was made gradually, each villain being permitted to substitute money payments for labor when he was prepared to do so.<sup>2</sup>

In speaking of the villains becoming prepared for this change we are confronted by the question, how they would be more prepared for it in the twenty-five years following the pestilence than they had been in the first half of the century. The answer seems to be that in the generation after the plague there was a very rapid development of a money system, of *Geldwirtschaft*, as Hildebrand has named it, in the affairs of all ranks of society, a development which had begun at an earlier time, but which several circumstances now tended to hurry on at an accelerated pace.<sup>3</sup> The expulsion of the Jews, the suppression of the Templars, the failure of the Bardi had opened the way for native Englishmen to engage in monetary transactions. The spoils of Calais seem to have considerably increased the amount of the precious metals in the country; and the new cloth industry promoted the rapid circulation of money in the interior. But it was the Black Death itself which gave the chief impetus to the money system at this time. For by destroying half of the people it doubled the

Weston, 1372, Long John transferred his land to a freeman and fled from the manor by night.—Ct. R., 179/39. At Broughton, 1377, a number of villains are required to find pledges that they will not run away, but will cultivate their holdings and maintain them in good condition.—Ct. R., 179/42. Innumerable similar examples might be given to show how common the practice of desertion came to be during the generation following the Black Death.

<sup>1</sup> See above, p. 342 n.

<sup>2</sup> See below, p. 348–353 ff.

<sup>3</sup> Compare Miss Law, "The Nouveaux Riches of the Fourteenth Century," in *Trans. Royal Hist. Soc.*, New Series, IX, 49 ff.

amount *per capita* of the medium of exchange; and at the same time by causing, as has just been shown, a greater fluidity of the surviving population it made the use of money more familiar in the country districts. Furthermore, the practice that prevailed among the land owners of admitting strangers and runaways at a money rent to the holdings left vacant after the plague made the advantages of that form of tenure more apparent to the villains. These advantages were, indeed, often overestimated, and it sometimes happened that tenants who had been permitted soon after the pestilence to commute their services, subsequently found it better to return temporarily to the old system.<sup>1</sup>

On the whole, then, it may be said that the Black Death gave a blow to the old system from which it never recovered. Prof. Rogers has pointed out how rapidly in the last half of the fourteenth century the practice spread of "farming" the manors, the practice, that is, of leasing the manors with all the rights and perquisites derived from them to some man or men for a term of years.<sup>2</sup> The cause of this he finds in the high price of labor, which no longer permitted the old system of bailiff management. It is hard to see, however, how the new lessee could provide labor any cheaper than the old bailiff—especially since it was very often the bailiff himself that took the manor in "farm." A more probable explanation of the spread of the practice lies in the substitution of money payments for the old labor services of the tenants. The absent lords had always been will-

<sup>1</sup> So at Aylton where in 1351 all the customary land had been let at a money rent—for the bailiff reports for that year: "De operibus nil hoc anno quia omnes customarii ad census pro xx solidos pro omnibus operibus et consuetudinibus"—there were in 1352 nine and three-quarters virgates again held "in opere."—Min. Acc., 874/10 ff.

<sup>2</sup> "History of Agriculture and Prices," I, 24.

ing to let their manors for money, but it was only after it became possible to collect fixed annual payments from the villains that the lessee could with any certainty raise the necessary sums to meet his yearly obligations. The development of a *Geldwirtschaft* rendered possible both the abolition of villainage and the substitution of leases for bailiff farming. The Black Death promoted this development and gave an impetus to the processes of commutation and leasing, which afterwards went of their own weight. ✓

The following table will show how far the process of commutation had gone in the thirty years following the plague. The names of fifty-five of the manors that are contained in the former table reappear in this. In no case has there been an increase of the amount of labor exacted from tenants in villainage. On ten of the manors they perform no predial services whatever; on thirteen the amount of work they do is inconsiderable; on fifteen they furnish about half of the labor needed; and on only seventeen do they perform practically all the work—exclusive of most of the team work—that is done on the demesne. Moreover, the agricultural operations on the latter had generally been so diminished that even the manors most dependent on the labor of villains now employed not more than a half or two-thirds as many as before the plague. For example, the manor of Abbot's Ripton in Huntingdonshire was cultivated almost entirely by means of villain services in the two decades before 1380, just as it had been previous to the Black Death. But in the earlier period about 400 acres had been sown each year, whereas toward the end of the latter the number had fallen to about 200. Although, therefore, little labor was hired the bailiff was able to dispense with half the villain services he had formerly

TABLE II.

[In this table the meaning of the signs X, Y, Z, O is the same as in the former.]

Name of Manor.	Acres Sown.	Work Done by Villains.	County.	Owner.	Date of Records Between
Barton		X	Bedford	Ramsey Abbey	1360-1370
Cranfield		X	"	"	1355-1360
		X	"	"	1360-1370
		X	"	"	1370-1380
		X	"	"	1350-1355
Shillington		X	"	"	1355-1360
		X	"	"	1360-1370
		X	"	"	1370-1380
	220	Y	Berkshire		1350-1355
Woolston	275	Y	"		1355-1360
	280	Y	"		1360-1370
	25	Z	"		1370-1380
	375	Y	"	Battle Abbey	1350-1355
Bright Waltham	310	Y	"	"	1355-1360
		Y	"	"	1360-1370
	275	Y	"	"	1370-1380
	40	O	"		1350-1355
East Hempstead					
Hampstead		Y	"	The King	1355-1360
Marshall		Y	"	"	1360-1370
Hinton	215	O	"		1370-1380
Spene	90	Y	"		1350-1355
	90	Y	"		1355-1360
Cuddington	160	Y	Buckingham	Rochester Priory	1370-1380
Langley Marsh		Y	"		1360-1370
Steeple Claydon	90	Y	"		1360-1370
Westcot		O	"		1350-1355
Whaddon		Y	"	Earl of March	1350-1355
	190	Y	"	"	1355-1360
	170	Y	"	"	1360-1370
Wyrardisbury		O	"	The King	1360-1370
Chatteris		Z	Cambridge	Ramsey Abbey	1370-1380
Elsworth		Y	"	"	1355-1360
Graveley		X	"	"	1350-1355
Knapwell		X	Cambridge	Ramsey Abbey	1355-1360
		Y	"	"	1360-1370
		Y	"	"	1370-1380
	275	Y	"		1350-1355
Soham <sup>1</sup>	150	X	"		1360-1370
	100	Y	"		1370-1380
	220	X	"	Bishop of Ely	1350-1355
Great Shelford	240	X	"	"	1355-1360
	50	X	"	"	1360-1370
	140	X	"	"	1370-1380
	60	Z	"		1350-1355
Tunbridgehall		Z	"		1355-1360
Uphall		O	"		1370-1380
Wilburton <sup>2</sup>		Y	"	Bishop of Ely	1370-1380

<sup>1</sup> Brit. Museum, Add. Ch., 10449 ff.

<sup>2</sup> Engl. Hist. Review, July, 1894.



Name of Manor.	Acres Sown.	Work Done by Villains.	County.	Owner.	Date of Records Between
Boreham		Z	Essex		1370-1380
Claret	{	Z	"		1350-1355
		Z	"		1355-1360
		O	"		1360-1370
Eastwood	{ 300	X	"	The King	1370-1380
	{ 300	X	"	"	1360-1370
High Easter		Z	"		1370-1380
Hoton	{	275 Y	"	Battle Abbey	1370-1580
		250 Y	"	"	1355-1360
		225 Y	"	"	1360-1370
Thundersley		O	"		1370-1380
Avening		Z	Gloucester		1360-1370
Hawkesbury	{	Z	"		1370-1380
		Z	"		1360-1370
Horsley	{	O	"		1370-1380
	200	O	"		1370-1380
Minchin Hampton		Y	"		1370-1380
Ashwell <sup>1</sup>	{	150 Z	Hertford	St. Paul's	1350-1355
		Z	"	"	1355-1360
		100 Z	"	"	1360-1370
		Z	"	"	1370-1380
Meesden	{	187 Y	"		1350-1355
	190	Y	"		1355-1360
Standon	{	Z	"		1350-1355
		Z	"		1355-1360
		Z	"		1360-1370
Stevenage	{	225 Y	"	Westminster Abb'y	1350-1355
		240 Y	"	"	1355-1360
		Y	"	"	1360-1370
		200 Y	"	"	1370-1380
Symondshyde <sup>2</sup>		Z	"		1360-1370
Aylton	{	Y	Huntingdon	Ramsey Abbey	1350-1355
		Y	"	"	1355-1360
		Y	"	"	1360-1370
		Y	"	"	1370-1380
Bigging	{	O	"	"	1350-1355
	O	"	"	"	1360-1370
Brington		X	"	"	1360-1370
Ellington		X	"	"	1350-1355
Glatton	{	O	"	The Queen	1355-1360
		O	"	"	1360-1370
		O	"	"	1355-1360
Holme	{	O	"	"	1360-1370
		O	"	"	1355-1360
		X	"	Ramsey Abbey	1350-1355
Holywell	{	X	"	"	1355-1360
		X	"	"	1360-1370
		X	"	"	1370-1380
Houghton	{	X	"	"	1360-1370
	275	X	"	"	1370-1380
Abbot's Ripton	{	225 X	"	"	1360-1370
	200	X	"	"	1370-1380
King's Ripton		X	"	"	1370-1380

<sup>1</sup> Library of St. Paul, Press B, Box 51 ff.<sup>2</sup> Brit. Mus., Add. Ch., 28779.

Name of Manor.	Acres Sown.	Work Done by Vil- lains.	County.	Owner.	Date of Records Between
Slepe	{	X	Huntingdon	Ramsey Abbey	1350-1355
		X	"	"	1360-1370
		X	"	"	1370-1380
Somersham		X	"	Bishop of Ely	1370-1380
Warboys <sup>1</sup>	175	X	"	Ramsey Abbey	1370-1380
Weston		X	"	"	1360-1370
Wistow <sup>2</sup>	200	X	"	"	1350-1355
Lutterworth		O	Leicester		1360-1370
Bolingbroke		O	Lincoln		1370-1380
Gedney	154	Y	"		1355-1360
Somerton	{ 156	O	"	The King	1355-1360
	156	O	"	"	1360-1370
Thoresby		O	"		1370-1380
Thurlby	{	O	"		1350-1355
		O	"		1355-1360
		O	"		1360-1370
Isleworth	{	X	Middlesex		1350-1355
		Z	"		1355-1360
Paddington	95	O	"		1350-1355
Teddington	{	X	"		1350-1355
		X	"		1355-1360
	100	X	"		1360-1370
Ashill	66	O	Norfolk	Earl of Pembroke	1360-1370
		Z	"		1350-1355
Bereham	{	Z	"		1355-1360
		Z	"		1360-1370
		Z	"		1370-1380
Brancaster	{ 150	Z	"	Ramsey Abbey	1350-1355
		Z	"	"	1355-1360
		Z	"	"	1360-1370
Haveringford <sup>3</sup>	{ 100	Y	"		1355-1360
	100	Y	"		1360-1370
	100	Y	"		1370-1380
Hilgay		O	"		1360-1370
Stradsett	150	Z	"		1360-1370
Uphall	100	Y	"		1360-1370
Buckley	150	Z	Northampton		1360-1370
Byfield		Z	"		1355-1360
Higham Ferrers	{ 150	Z	"	Duke of Lancaster	1360-1370
	150	Z	"	"	1370-1380
Norton		Z	"	The King	1355-1360
	{ 150	O	"	Duke of Lancaster	1355-1360
Raundes	150	O	"	"	1360-1370
	150	O	"	"	1370-1380
Rushden		O	"	"	1370-1380
Thorp		Z	"	The King	1355-1360
Beckley		Z	Oxford		1370-1380
Horton		Z	"		1370-1380
Northleigh		Z	"		1370-1380
Oakham		O	Rutland	The King	1370-1380
Langham		O	"	"	1370-1380
Market Overton	150	Z	"	Earl of Oxford	1360-1370

<sup>1</sup> Brit. Mus., Add. Ch., 39800 ff.<sup>2</sup> *Ibid.*, 39897 ff.<sup>3</sup> *Ibid.*, 15199.

Name of Manor.	Acres Sown.	Work Done by Villains.	County.	Owner.	Date of Records Between
Anstey	{	O	Southampton	Battle Abbey	1355-1360
		O	"	"	1360-1370
		O	"	"	1370-1380
Froyle <sup>1</sup>	{ 550	Z	"	St. Mary's, Winch.	1360-1370
	475	Z	"	"	1370-1380
Somborne	{ 300	Y	"	"	1360-1370
	260	Y	"	"	1370-1380
Newton		O	Isle of Wight	The King	1370-1380
Wroxall	{ 100	Y	"	Netley Abbey	1350-1355
		O	"	"	1370-1380
Ashfield <sup>2</sup>	200	Z	Suffolk	"	1355-1360
Chelsworth	{	Z	"	"	1360-1370
		Z	"	"	1370-1380
Exning	{	Z	"	"	1350-1355
		O	"	"	1355-1360
Fressingfield	240	Z	"	"	1355-1360
Halisworth <sup>3</sup>	{ 100	Z	"	"	1360-1370
	100	Z	"	"	1370-1380
		X	"	Earl of March	1355-1360
Hundon	{ 325	X	"	"	1360-1370
	350	X	"	"	1370-1380
Layham	{	Z	"	"	1360-1370
		Z	"	"	1370-1380
Lawshall	{ 225	Y	"	Ramsey Abbey	1350-1355
	200	Y	"	"	1360-1370
	175	Y	"	"	1370-1380
		Y	"	Earl of March	1350-1355
Woodhall	{	Y	"	"	1355-1360
		Y	"	"	1360-1370
	190	Z	Surrey	"	1350-1355
Banstead	{ 165	Z	"	"	1360-1370
	165	Z	"	"	1370-1380
Byfleet		Z	"	The King	1360-1370
Henley	{ 125	O	"	"	1360-1370
	125	O	"	"	1370-1380
Horsley	175	X	"	"	1370-1380
Shene	210	Y	"	The King	1350-1355
Worplesdon	{ 145	Z	"	"	1360-1370
	110	Z	"	"	1370-1380
		Z	Sussex	"	1350-1355
Appledram	{ 300	Z	"	"	1355-1360
	300	Z	"	"	1360-1370
	250	Z	"	"	1370-1380
	250	X	Sussex	Battle Abbey	1355-1360
Lullington	{ 250	X	"	"	1360-1370
	250	X	"	"	1370-1380
	250	X	"	"	1370-1380
Rotherhythe	100	O	"	The King	1355-1360
Bidford	200	O	Warwick	Bordesley Priory	1370-1380
Fillongley		O	"	"	1370-1380
Itchington	40	Z	"	Maxstoke Priory	1370-1380
Knowle	250	Y	"	"	1355-1360
Oxhill		Z	"	"	1360-1370

<sup>1</sup> Brit. Mus., Add. Ch., 17479 ff.<sup>2</sup> *Ibid.*, 9108.<sup>3</sup> *Ibid.*, 25864 and 25978.

Name of Manor.	Acres Sown.	Work Done by Villains.	County.	Owner.	Date of Records Between
Elmbridge	-----	O	Worcester	-----	1370-1380
Bromham	{ 240	X	Wiltshire	-----	1355-1360
	{ 300	Y	"	-----	1370-1380
Castle Combe <sup>1</sup>	-----	O	"	Lord Tiptoft	1350-1355
Chelsworth	-----	Z	"	-----	1370-1380
Compton <sup>2</sup>	-----	O	"	The Queen	1370-1380
West Heytesbury	{ 350	Z	"	-----	1355-1360
		Z	"	-----	1360-1370
East Heytesbury	{ 188	Y	"	-----	1355-1360
	{ 215	Y	"	-----	1370-1380
Mildenhall	-----	Z	"	-----	1370-1380
Sevenhampton	{ 60	Z	"	-----	1360-1370
		O	"	-----	1370-1380
Stratton	-----	O	"	-----	1370-1380
Trowbridge	-----	Z	"	-----	1370-1380
Tytherington	{ -----	O	"	-----	1355-1360
		O	"	-----	1360-1370
Tockenham	-----	O	"	-----	1370-1380

<sup>1</sup> Brit. Mus., Add. MSS., 28208, p. 51.

<sup>2</sup> *Ibid.*, Add. Ch., 6277.

used. The same thing may be observed at Bright Waltham where about 450 acres were annually cultivated before the Black Death, and only 275 thirty years later. At Woolston the quantity of land cultivated fell from about 325 acres to about 175; at Soham from 275 to 150; at Hoton from 325 to 225; at Stevenage from 325 to 200, etc. It was extremely seldom that a considerable diminution did not take place, and I have observed no instance where the bailiff cultivated more land after the Black Death than he did before. Those portions of the demesne that thus passed from under the bailiff's management were sometimes let at a money rent for term of years or at the will of the lord; sometimes they were converted into pasture.

We find in addition to the manors contained in the former list the names of seventy-one others. Only five of these are still cultivated chiefly by means of villain services; ten make about equal use of hired and villain

labor; on twenty-six the amount of villain labor performed is inconsiderable; and on thirty it has been altogether commuted for money payments. On many of these manors it is evident that the commutation had very recently taken place. At Halisworth, Suffolk, for example, in 1368 only three days of work in autumn were got from the tenants; but many more are enumerated as having been formerly due, and it is added "*nil, quia omnia tenementa que solebant operare talia opera sunt in manu domini*," and most of them were let at a money rent.<sup>1</sup>

During the generation after the Black Death, while the great change described above was taking place in villain tenure, there was no corresponding alteration in villain status. The personal subjection of the man of that status to the will of his lord was legally as complete at the end of the generation as had been that of his forefathers from time immemorial. He was still under obligation to remain on the manor, to labor at his lord's bidding for the land assigned him, and to surrender his goods on demand. All the evidences that proved the reality of these obligations before the plague are still visible in the manorial court rolls to show that they were not yet obsolete. Chivage, merchet, and leyrwite were exacted as before; the lord, as has been shown, still occasionally changed the villain's holding and thereby the services to be performed; and tallages and other fines continued to show the villain's insecurity in the possession of his goods. Indeed, it was at this time that it became customary to insert on the rolls of every court holden on a manor of Ramsey Abbey the order, "*Seizire in manum domini omnia bona et catalla omnium*

<sup>1</sup> Brit. Mus., Add. Ch., 25864.



nativorum istius manerii ad praesens existencia seu in futuro contingencia." The order must, however, have been milder in execution than in spirit, for no traces of such seizures are to be met with; indeed it was probably made only in order to justify the bailiff in taking a heriot from lands held by the villains in free tenure, for no heriot could be taken from such lands, unless they had been seized by the lord before the holder's death.

But whilst the burdens due to villain status became no lighter, they certainly did not become more severe. To this statement an exception must be made in the case of the payments required from the villains that left the manor, a very natural exception when it is remembered how unwilling the lords now were for them to depart. It has been shown above how little oppression was exercised by the lords in demanding heavier labor services: it was for the same reasons that they likewise refrained from exacting more from their villains in the way of fines and other payments.<sup>1</sup>

Now if the chief purpose which the institution of villainage had served—that, namely, of securing to the lords a sufficiency of labor for cultivating the demesnes—was no longer fulfilled by it, it would seem that the reason for its existence had disappeared. For

<sup>1</sup> *Chivage*. At Cranfield, 1357, there was a payment of 3s. 4d.; at Holiwell, 1357, one of 2s.; at Elsworth, 1364, there were five men paying as chivage 3s. 4d., a chicken, 20s., 5s., a half mark, etc.

*Merchet*. At Therfield, 1351, a payment of a half mark; at Woolston, 1351, of 1s. 6d., and 1353 of 2s., and 1370 of 3s. 4d.; at Holywell, 1354, of 10s.; at Bright Waltham, 1355, of 4s., etc.

*Leyrwite*. At Cranfield, 1373, a payment of 1s.; at Upwood, 1373, two payments each of 2s.; at Barton, 1373, several payments each of 1s., etc.

*Tallage*. At Woolston, where in 1346 it had been 60s., in 1351 it was 6s. 8d.; in 1354 it was 13s. 4d.; in 1357 it was 20s.; in 1359 it was 26s. 8d.; 1360 it was 20s.; 1363 nothing was collected; 1368 it was 24s.; 1372 it was 20s.; 1376 it was 20s. 6d.; 1381 it was 20s.; 1382 it was 18s., etc.

it has been shown that the lords derived little benefit from villainage as a status; what they attached importance to was the tenure by which customary land was held; to them it was practically immaterial whether the tenant was a freeman or a villain, so long as he rendered due assistance in the cultivation of the demesne. In those innumerable cases, then, where the tenure ceased to secure labor, where the tenant's predial services had been commuted for a money rent, it would seem that the lord no longer had an object in insisting on his villain's status. True, the lord had a legal right to transfer a villain from a holding paying a money rent to one from which labor services were due, but it has been seen that he seldom found it expedient to do this. It should be remembered, however, that it was not yet apparent that the conditions then existing would be permanent. Whilst they avoided any oppressive action, the lords still hoped that a time was coming when the old order might be peacefully re-established; that the land now let at a money rent would some day again supply them with labor for the demesne. This hope was shown by the usual form of admission of the tenant on the new terms. It was generally said that the new arrangement should endure "*dum domino placuerit*" [sic]; or it was added, "*et si aliquis veniet qui voluerit facere pro dicta terra servicia prius inde debita admittatur ad voluntatem domini.*" The lords did not, therefore, let the status of their villains be forgotten, however little they now profited by it.

Villainage then as the personal condition of a class of the rural population remained practically unaltered throughout this generation. But in spite of efforts on the part of the lords to prevent it, the number of men in that class began rapidly to diminish. The villains

could not alter the nature of villainage, but they could pass out of the class of villains and become freemen. The rights and disabilities that went to make up the status were all recorded in manorial documents whose authority could not be gainsaid. But the names of the villains left alive after the plague were in very many cases not so recorded. In former days if any question arose as to their status, it had been settled by the testimony of their neighbors; but in the time of anarchy that followed the Black Death, when the manor officials together with a large number of the tenants had perished, such testimony was not easy to secure. Many a villain, therefore, successfully denied his status, made good his claim to freedom in the lack of evidence against him, and as so many holdings were vacant frequently received land from his lord to hold at a money rent. But the chief recourse at that time of villains that sought their freedom was, not a denial of status, but desertion from the manor. How common their desertion now became has already been indicated in speaking of the motives that urged the lords to refrain from oppression.<sup>1</sup> There is scarcely a court roll preserved from this period that does not contain a list of men that have run off from the manor; while the bailiffs accounts give an ever lengthening list of villain holdings that are vacant or have recently been let to freemen.

Just to what extent that one generation saw the class of villains thus diminished, it is of course impossible to say: the investigator must content himself with pointing out that the process was progressing and was progressing rapidly.

<sup>1</sup> See above, p. 344.

Such was the state of affairs when the Rising under Wat Tyler took place in 1381. It was long thought that this was caused by the oppression the lords heaped upon their villains. The theory was that the rise in the price of labor induced the land owners to require heavier services from the tenants of customary land than had been usual before the plague, and that the imposition of fines and punishments in the manorial courts had been likewise increased.

It is apparent from what has been said above that this theory is quite wrong, and the incorrectness of it is even more firmly established by other evidences. In the first place, the leading rôle in this movement was played by the men from Kent; and as the men from Kent—notwithstanding Froissart's assertion to the contrary—were not subjected to the burdens of villainage, it is obvious that they had some other object in view than that usually assigned as the motive of the insurgents. In other counties, again, it is noticeable that the bands under Tyler and Straw were swelled by the peasants from manors where an almost complete commutation of predial services had taken place;<sup>1</sup> whilst the peasants on many manors where the old custom still prevailed remained quiet and performed their labor as usual.<sup>2</sup> Furthermore, the mild treatment by the insurgents of those land owners that fell into their hands, contrasting as it does with the behavior of the Jacquerie in France in

<sup>1</sup> Thus at Foyle, Hants, 1380, the only labor on the demesne still done by tenants in villainage consisted of a "boon" day at shearing, at mowing, and at ploughing and in reaping 102 acres at harvest time. All other work necessary on the 403 acres that were sown was paid for. Yet the following year additional provision was made for hired men at shearing, "quia customarii venire noluerunt pro eorum rebellicione."—Brit. Mus., Add. Ch., 17479 ff.

<sup>2</sup> As at Woolston, Berks, Min. Acc., Bundle, 757; and at Elsworth, Cambs, Min. Acc., Bundle, 766.

the same century and of the revolting peasants in Germany in 1524, is evidence of the absence of any great bitterness of feeling toward the landlords.<sup>1</sup> Those that lost their lives or property were hated for other reasons than their oppressions of their villains.<sup>2</sup> Indeed, the lords themselves to some extent were active on the side of the insurgents,<sup>3</sup> which surely would not have been the case if the chief object of the movement had been to overthrow the class to which they belonged. It deserves notice, lastly, that the inhabitants of the towns and the free laborers were at least equally as deeply involved in the insurrection as the villains,<sup>4</sup> and the explanation above mentioned certainly does not account for their interest in the affair.

It is certain, however, that those villains who joined Wat Tyler and Jack Straw endeavored to seize the opportunity to attain their freedom. Yet the freedom they demanded was not a freedom from burdens that had become heavier, but rather from the remnants of their former burdens, which they submitted to with the greater impatience now that so many of their class were free from them, and they realized more fully the advantages of complete liberty<sup>5</sup>. It was

<sup>1</sup> Walsingham says the revolting peasants at St. Albans acknowledged that the Abbot had been "*aequus et placidus dominus*."—"Hist. Angl.," 474.

<sup>2</sup> Compare, Powell, "The Peasants' Rising in Suffolk," in Trans. Royal Hist. Soc., N. S., VIII, 211, 215, 220, etc.

<sup>3</sup> *Ibid.*, 204.

<sup>4</sup> The list of those excepted from the amnesty proclaimed after the suppression of the revolt contains the names of 287 men, of whom 157 were Londoners. As regards their occupation, 230 were handicraftsmen, and eight were ecclesiastics.—Rolls of Parl., 5, R. II; Knyghton, "Chronicon," Fol. 2633.

<sup>5</sup> Thus at Froyle, Hants, in 1378 the villains had already attempted to abolish what remained of their predial services "*propter exemplificationem quam habent de Domesday*." Brit. Mus., Add. Ch. 17485. At Lullington, Sussex, a very considerable lightening of the predial



this that gave force to the preaching of such men as Ball, whose doctrine of social equality undoubtedly had its origin in the economic changes that were then taking place. Many villains had already acquired freedom, why should others remain in subjection? Many of their burdens had been lightened, why should not all be cast off? The lords no longer exercised some of their ancient rights over their villains, what entitled them to any rights at all? for

" When Adam delved and Eve span  
Who was then the gentleman?"

There were grounds enough for the discontent of the lower classes even though they had no increased oppression by the lords to complain of. A chief cause of their exasperation was the Statutes of Laborers, as is evident from the large participation in the Revolt of the artisans and free laborers who worked for money. They hated a government that caused them as much suffering as these laws brought upon them; and their exasperation was increased by the failure of the government to protect them from foreign enemies. Year after year the French pirates landed and harried the South; in 1377 they burned Rye, Portsmouth, Dartmouth, Plymouth, and other towns along the coast; three years later they took Winchester, and put to flight the Abbot of Battle with his monks who tried to resist them. The Scotch were

services had taken place within the past twenty years; yet in the spring of 1381 the bailiff had to hire additional labor "quia isto tempore tenentes deseruerunt Johanni Strawen. Minn. Acc., Bundle 1029. At St. Albans the insurgents did not complain of an oppression become more severe since the plague: they claimed an old document through which, as they were told, they were entitled to complete freedom. In reality, however, they had been deceived, and no such document existed. Walsingham, "Hist. Angl.," 474.

equally troublesome in the North, whither John of Gaunt had gone when the Rising occurred. The West was already in a ferment with the troubles that afterwards came to a head under Owen Glendower. When the government under the regency of John of Gaunt, which had failed in the French war, had failed to protect the people and maintain peace and order, and had afflicted them with the Statutes of Laborers, presumed to demand a poll tax and entrusted the collection of it to such men as Legge, the people would bear with it no longer. They rose in their wrath, marched to London, beheaded the Chancellor, Legge, and others, burned John of Gaunt's palace, as he was out of their reach, administered an oath to all that joined them that they would never accept John as their king, but lost their leader and were dispersed before they formed a definite idea of the reforms they wanted.

The insurrection was quickly and completely suppressed, and so far as the abolition of villainage is concerned, there is no evidence that it had the slightest effect.

In villain tenure the great change that began immediately after the Black Death, continued to be carried through without any interruption from the Revolt. One after another, as they became prepared for it, the tenants entered into an agreement with their lords to pay a yearly money rent for the customary land they held instead of rendering predial services on the demesne. The manner in which the transition from such services to hired labor for agricultural operations took place on most manors will be made clearer by a few examples.

At Stevenage, a manor in Hertfordshire belonging to

Westminster Abbey, there were in the first half of the fourteenth century fourteen virgates of customary land, which were divided into half virgate holdings and let by villain tenure to twenty-eight tenants. In addition to this land there were four small villain holdings known as cotlands. In the year 1334 the bailiff cultivated 325 acres of the demesne. He employed by the year four ploughmen, a carter, and several men to take charge of the livestock on the manor, giving them rations in grain and meat and making to each a small donation in money. The tenants in villainage owed altogether 3231 *opera*, and these sufficed to carry out all the agricultural operations except the team work, which was discharged by men maintained by the year. To complete the threshing of the grain by the proper time in winter the bailiff had to hire labor which cost him thirty-two shillings; but this expense was met by the sums collected from those villains that did not come to their work when the bailiff summoned them. This arrangement remained unchanged till 1349, when six and a quarter virgates of villain land became tenantless by reason of the pestilence. That year 300 acres were sown, but in autumn, as the customary labor had fallen off by more than a third, and hired labor was not to be had in sufficient quantity, a part of the grain had to be left standing in the fields. In 1352 only 219 acres could be sown, for seven and a half virgates and three cotlands were unoccupied. Five years later nine and a half virgates had become vacant, partly from the death, partly from the desertion of the villains; but as a portion of the land had been let at a money rent, the bailiff was able to cultivate 245 acres, using the money received from the tenants to pay for the additional labor hired. By 1360 only four virgates were held by men that per-

formed the old labor services; in 1373 the number had been reduced to three; in 1377 to two; and in 1386 all the customary land had been let at a money rent, so that the bailiff had to hire labor for carrying out all the operations necessary on the 230 acres he cultivated that year. After this time there is no sign of predial services being rendered by villains on this manor.<sup>1</sup>

At Warboys, Co. Huntingdon, a manor of Ramsey Abbey, the change did not take place so early as at Stevenage, but the manner of it was very similar. In 1380 there were still twenty-one and a half virgates held "in opere," that is, the tenants were performing predial services; and there were besides two "maltmen" [Molmen?] The tenants owed altogether 4216 *opera* and a few "boon" works; but as the bailiff did not need all of them on the demesne, they performed only 2785, and the rest were either excused or paid for at the rate of a halfpenny apiece. The Peasant's Revolt seems to have had absolutely no effect on this manor, for in 1390 there were twenty virgates and two and a half "maltmen" "in opere," and they performed 2407 *opera*. After this, however, the change proceeded rather more rapidly, and by 1413 there were only seven and three quarters virgates and three "maltmen" still "in opere." In that year the old *opera* at Warboys and on a number of other manors belonging to Ramsey Abbey were done away with and substituted by new and much lighter ones, a change for which each virgate holder paid 12s, each "maltman" 6s. There was little progress after this for many years, and it was not till 1453 that, for some reason which the bailiff does not disclose, the *opera* were completely and permanently abolished. Indeed even after this, according to an old

<sup>1</sup> Min. Acc., Bundle, 871.

rental that has been preserved, the tenants might be called on for a "boon" at shearing time and in the hay harvest.<sup>1</sup>

At Wistow, another manor of Ramsey Abbey in the the same county, the process was about the same. Here, however, the lightening of the *opera* due from the tenants that still held in villainage, which had taken place at Warboys in 1413 did not occur till 1422. In 1443 there were eight and three quarters virgates remaining "in opere," but it was agreed that their services should be substituted by money payments for the space of twenty years, each virgate holder paying 8s. a year for the concession and rendering a boon at shearing and mowing. There is no evidence of a return to the old order at the end of the term of years, and the arrangement of 1443 was still unchanged forty years afterward.<sup>2</sup>

Many similar examples might be given, but these are enough to illustrate the manner in which the process of commutation went on.

In explanation of the continuation of the process little can be added to what was said in speaking of its beginning in the generation after the Black Death. The old system of cultivating the demesne with the compulsory labor of men that had land of their own to take care of, was clumsy and ineffective in the extreme and suited only to a period of development in which a money system was unknown. The numerous fines recorded in the court rolls of the thirteenth and early fourteenth centuries show with what difficulty the bailiffs forced the villains to do their work properly; and testify likewise to the unwillingness with which

<sup>1</sup> Brit. Mus., Add. Ch. 39826 ff.

<sup>2</sup> Brit. Mus., Add. Ch. 39,900 ff.



the villain left the tilling of his own fields to labor on the demesne. So soon therefore as a money system came to be understood by the rural population, those bound to labor rents forced the lords to agree to a commutation. That the lords did so unwillingly is evident from the wording of the new terms and from the gradual manner in which the change was made. The reason for their unwillingness was the necessity they were under of cutting down their agricultural operations if they were forced to depend on hired labor. For the money received from the tenants in villainage for the concession was no fair compensation for the labor lost. In the thirteenth century the price paid by a villain, if he wished to be relieved from a day's work, was a halfpenny in winter, a penny in spring and autumn, and three halfpence in summer. This price had become established by a custom of many generations, and the lord was unable to get a higher one in the fifteenth century when for hired labor he had to pay several times as much.

The chief means used by the villains to compel the lords to accept their terms seems to have been desertion, and this the lords found it impossible to prevent. One after another the villains left their homes to seek an easier livelihood elsewhere. Sometimes they left with the lord's permission, but in most cases without it. Thus at Cranfield in 1410 the jury stated in the manorial court that at that time thirteen villains were living off the manor. Few years passed that one or more did not run away, and in 1420 eight escaped together one night and went to Gloucester. At Shillington in 1410 twenty-one villains had gone off; at Therfield eighteen, one of whom had been employed as collector of the payments due to the lord and had absconded with £10; at Houghton twenty-nine were

gone; at Barton twenty, including two boys that had been sent to school without permission.<sup>1</sup> It was very soon after this date that a general lightening of the predial services took place on these manors, and in the absence of traces of any other cause by which the lord could have been influenced, it is not bad logic to conclude that the change was made to prevent the land from being utterly deserted. So it came about that through the mere threat of desertion the villains could obtain almost any concession. At Chatteris, for example, the jury presented that J. P. did not keep up his holding as he should, and the court ordered him to make the necessary repairs; but "*non reparavit tene-mentum et dicit quod non vult reparare sed potius dimittere et abire.*"

The result was that when the first third of the fifteenth century ended the abolition of predial services, as will be seen from the following table, was approaching completion. There were still some manors, however, where the villains were held to a performance of a little labor, and a few where they continued to perform a great deal. But in most of these manors the process was completed soon after the period of enclosures began, when the lords not only ceased their efforts to prevent the departure of their tenants but actually encouraged it. After 1450, therefore, it became very rare to find a manor still cultivated by the compulsory labor of villains. Here and there, it is true, traces of predial services survived to a much later date,<sup>2</sup> but for the country at large the

<sup>1</sup> Court Rolls, 179/50.

<sup>2</sup> At Chatteris, Cambridgeshire, for example, there were thirty-two tenants of eight acre holdings in 1461 that owed six *opera* a year and forty-two cotters that owed three. Each received a penny apiece *sine cibo* when he performed an *opus*.—Min. Acc., Bundle, 766. At Ilseworth, Middlesex, the tenants had to mow the hay in 1473 on 18 acres, receiving food and 18*d.* for doing so.—Min. Acc., Bundle, 926.

TABLE III.

Name of Manor.	Acres Sown.	Work Done by Vil- lains.	County.	Owner.	Date of Records Between
Shillington		Z	Bedford	Ramsey Abbey	1380-1390
		O	"	"	1400-1410
Sutton		O	"	"	1390-1400
Ashton Clinton		O	Berkshire	"	1410-1420
		"	"	"	1380-1390
Bright Waltham	300	Y	"	"	1390-1400
	250	Y	"	"	1400-1410
	350	Y	"	"	1410-1420
	325	Y	"	"	1380-1390
Didcot	130	Y	"	"	1400-1410
East Garston		Z	"	"	1420-1440
Risborough		O	"	Risborough Priory	1420-1440
West Wittenham		O	"	"	1380-1390
	150	Z	"	"	1390-1400
	175	Z	"	"	1400-1410
Woolston	175	Z	"	"	1410-1420
	130	Z	"	"	1420-1440
	100	Z	"	"	1410-1420
Cuddington		Y	Buckingham	Rochester Priory	1380-1390
Steeple Claydon		O	"	"	1400-1410
Wendover		O	"	"	1380-1390
Whaddon		O	"	"	1390-1400
Wyrardisbury		O	"	The King	1400-1410
Barnwell		O	Cambridge	Barnwell Priory	1410-1420
		Z	"	Ramsey Abbey	1420-1440
Burwell		Z	"	"	1390-1400
		Z	"	"	1400-1410
		Z	"	"	1410-1420
Chatteris		Z	"	"	1420-1440
		Y	"	"	1380-1390
		Y	"	"	1390-1400
Elsworth		Y	"	"	1400-1410
		Z	"	"	1420-1440
		Y	"	"	1380-1390
Graveley		Y	"	"	1390-1400
		Z	"	"	1410-1420
	142	Z	"	"	1400-1410
Knapwell	162	Z	"	"	1410-1420
		Z	"	"	1420-1440
		Z	"	"	1390-1400
		Z	"	"	1400-1410
Soham <sup>1</sup>		Z	"	"	1410-1420
		Z	"	"	1420-1440
		Y	"	Lord Tiptoft	1380-1390
Hardleston <sup>2</sup>	150	Y	"	"	1390-1400
		O	"	"	1420-1440
Fordham		O	"	"	1380-1390
	120	X	"	Bishop of Ely	1380-1390
Great Shelford	200	X	"	"	1390-1400
	200	Y	"	"	1400-1410
		Y	"	"	1410-1420
Uphall		O	"	"	1380-1390

<sup>1</sup> Add. Ch., 10449 ff.<sup>2</sup> *Ibid.*, 18527 ff.

Name of Manor.	Acres Sown.	Work Done by Villains.	County.	Owner.	Date of Records Between
Wilburton <sup>1</sup>		Y	Cambridge	Bishop of Ely	1380-1390
		Y			1390-1400
		Z			1400-1410
		Z			1410-1420
		Z			1420-1440
Baddow	25	Z	Essex		1410-1420
Bardfield		O			1380-1390
Claret		O			1390-1400
Colnewake		O			1390-1400
Dedham		O			1410-1420
Dunmow		Z			1380-1390
		O			1410-1420
		Y			1390-1400
		Y			1400-1410
		Y			1420-1440
Fearing <sup>2</sup>	350	Y		St. Paul's	1390-1400
Felstead		Z		Sion Abbey	1420-1440
Hatfield		Z			1410-1420
Hoton	150	Y		Battle Abbey	1390-1400
Kelvedon <sup>3</sup>		O		St. Paul's	1420-1440
Lammersh		O			1390-1400
Ugley	210	Y			1390-1400
Wakering	210	Y			1410-1420
Waltham	250	X		Countess Glouc'st'r	1390-1400
Weathersfield		O		Duke of Gloucester	1390-1400
Wickham <sup>4</sup>	110	Y		St. Paul's	1410-1420
Wykes		Y			1390-1400
Avening		O	Gloucester		1410-1420
King's Berton		O			1410-1420
Cheltenham		O			1390-1400
Horsley		O			1410-1420
Minchin Hampton		Z			1410-1420
Bayford		O	Hertford		1380-1390
Esyndon		O			1380-1390
Hadham <sup>5</sup>	150	O			1390-1400
Sawbridgeworth		O			1420-1440
Stevenage	225	O			1390-1400
Weston		O			1390-1400
Aylton	250	Z	Huntingdon	Ramsey Abbey	1380-1390
		Z			1390-1400
		Z			1420-1440
Brington		X			1380-1390
Holywell	150	X			1380-1390
		X			1390-1400
		X			1400-1410
Houghton	220	O			1410-1420
		X			1380-1390
		X			1390-1400
Raveley <sup>6</sup>	175	Y			1410-1420
		Z			1420-1440
		Z			1410-1420
Abbot's Ripton		Y			1410-1420
		Z			1420-1440

<sup>1</sup> English Hist. Review, July, 1894.<sup>3</sup> Ibid., Press B, Box 90.<sup>4</sup> Ibid., Press B, Box 81, ff.<sup>6</sup> Add. Ch., 39915.<sup>2</sup> St. Paul's Library, Press B, Box 81 ff.<sup>5</sup> Ibid., Press B, Box 86 ff.

Name of Manor.	Acres Sown.	Work Done by Villains.	County.	Owner.	Date of Records Between
King's Ripton	{ 180 180 175	X X X	Huntingdon	Ramsey Abbey	1380-1390 1390-1400 1380-1390
Slepe	{ Z Z	Y " "	"	"	1410-1420 1420-1440
Somersham	{ 90 Z Z	Z " "	"	Bishop of Ely	1410-1420 1420-1440
Warboys <sup>1</sup>	{ 175 210 Z	X Y "	"	Ramsey Abbey	1390-1400 1410-1420 1420-1440
Weston	115	X	"	"	1380-1390
Wistow <sup>2</sup>	{ 190 180 Y Z	X X " "	"	"	1380-1390 1390-1400 1410-1420 1420-1440
Upwood <sup>3</sup>	{ 150 175 175 Z	X Y Z "	"	"	1390-1400 1400-1410 1410-1420 1420-1440
Enderby		O	Leicester	Earl Somerset	1420-1440
Kirkby		O	"		1400-1410
Sheepshead		O	"		1390-1400
Kirkton		O	Lincoln		1410-1420
Bennington		O	"	Countess Glouc'st'r	1390-1400
Fleet		O	"		1390-1400
Harrington	114	O	"		1380-1390
Fullham		O	Middlesex	St. Paul's	1390-1400
Ealing <sup>4</sup>		O	"	"	1410-1420
Hackney <sup>5</sup>	{ O O	Z " "	"	"	1390-1400 1410-1420
Isleworth		Z	"		1380-1390
Ruislip		O	"	Duke of Bedford	1420-1440
Stepney <sup>6</sup>		O	"	St. Paul's	1380-1390
Aldborough	109	Z	Norfolk		1420-1440
Bresingham <sup>7</sup>	102	X	"		1400-1410
Cotton	143	O	"		1420-1440
Ditchingham	{ Z O	Z " "	"		1400-1410 1420-1440
Framingham		O	"		1380-1390
Great Cressingham		O	"		1410-1420
Haverynglond <sup>8</sup>		O	"		1410-1420
Hindringham <sup>9</sup>		Y	"		1410-1420
Horningtaft <sup>10</sup>		O	"		1420-1440
Lessingham		O	"		1420-1440
Methwold		Y	"		1390-1400
Necton		O	"		1420-1440
Ormsby		O	"		1410-1420
Pirnowe <sup>11</sup>		Y	"		1380-1390
Popinho		O	"		1410-1420
Runcton		O	"		1420-1440

<sup>1</sup> Add. Ch., 39800 ff.<sup>3</sup> *Ibid.*, 34851 ff.<sup>5</sup> *Ibid.*, Press B, Box 85.<sup>7</sup> Add. Ch., 16536 ff.<sup>9</sup> *Ibid.*, 19069 ff.<sup>2</sup> *Ibid.*, 39897 ff.<sup>4</sup> St. Paul's Library, Press B, Box 88.<sup>6</sup> *Ibid.*, Press B, Box 85.<sup>8</sup> *Ibid.*, 9176.<sup>10</sup> *Ibid.*, 1753.<sup>11</sup> *Ibid.*, 15717.



Name of Manor.	Acres Sown.	Work Done by Vil- lains.	County.	Owner.	Date of Records Between
South Walsham		O	Norfolk		1400-1410
Stowe Bardolph		O	"		1420-1440
Suffield		O	"		1390-1400
Swaffham		O	"		1420-1440
Thornage		Z	"		1410-1420
Wighton		O	"		1390-1400
Wormegay		O	"		1420-1440
Eydon		O	Northampton		1400-1410
Higham Ferrers	{	Z	"	Duke of Lancaster	1380-1390
		O	"	"	1390-1400
Passenham		Z	"		1380-1390
Raundes		O	"	Duke of Lancaster	1390-1400
Rushden		O	"	"	1390-1400
Beckley		Z	Oxford		1410-1420
Crowmarsh		O	"	Battle Abbey	1390-1400
Ducklington		O	"		1410-1420
Horton		Z	"		1410-1420
Kirtlington		O	"		1410-1420
Mussadere		O	"		1410-1420
Northleigh		O	"		1410-1420
Stratton		O	Oxford	Bicester Priory	1410-1420
Avington	230	Z	Southampton		1380-1390
	{ 400	Z	"	St. Mary Winch.	1380-1390
Froyle <sup>1</sup>	{ 350	Z	"	"	1390-1400
		O	"	"	1410-1420
Maple Durham <sup>2</sup>	147	Z	"		1400-1410
Penton Mewsy		O	"		1380-1390
Raydon	100	O	"	Netley Abbey	1410-1420
Somborne		O	"		1410-1420
Totton		O	"	Netley Abbey	1410-1420
Weston	{	Z	"	Christ Church Pr'y	1410-1420
		Z	"	"	1420-1440
Worthy		O	"	Earl Mortimer	1380-1390
Wroxall		O	Isle of Wight	Netley Abbey	1380-1390
Acton	{ 380	Z	Suffolk		1390-1400
	{ 380	Z	"		1400-1410
Erbury	275	Y	"	Battle Abbey	1380-1390
Halisworth <sup>3</sup>		O	"		1420-1440
Hoxon		Z	"		1410-1420
Hundon	{ 330	X	"	Earl of March	1380-1390
		X	"	"	1390-1400
Kelsale		O	"		1390-1400
Kersey		O	"		1390-1400
Layham	{	Z	"		1380-1390
		Z	"		1390-1400
Lawshall		O	"	Ramsey Abbey	1380-1390
Oxenhall	{	Z	"		1380-1390
		O	"		1400-1410
Soham		O	"	Earl of Norfolk	1390-1400
Thornham		O	"		1410-1420
Wickham Skeith		O	"		1410-1420
Banstead	165	Z	Surrey		1380-1390
Bytleet		Y	"	The King	1380-1390
Croydon		O	"		1410-1420

<sup>1</sup> Add. Ch., 17479 ff.<sup>2</sup> *Ibid.*, 27656.<sup>3</sup> *Ibid.*, 25978.

Name of Manor.	Acres Sown.	Work Done by Vil- lains.	County.	Owner.	Date of Records Between
Horsley	150	X	Surrey		1380-1390
	150	Y	"		1390-1400
Worplesdon		O	"	The King	1390-1400
Appledram	275	Z	Sussex		1380-1390
	125	Z	"		1420-1440
Brighton		O	"		1380-1390
Bury	125	X	"		1390-1400
Ecclesdon		Z	"		1390-1400
Hampton	187	Z	"		1400-1410
Harting <sup>1</sup>	350	Y	"		1390-1400
	250	X	"	Battle Abbey	1380-1390
	250	Y	"	"	1390-1400
Lullington	225	Z	"	"	1400-1410
	200	O	"	"	1420-1440
Talworth		Z	"		1390-1400
Bidford	180	O	Warwick	Bordesley Priory	1420-1440
Knowle	55	Z	"	Maxstoke Priory	1400-1410
Abberton	150	Z	Worcester	Pershore Abbey	1400-1410
	150	Z	"	"	1420-1440
Alderminster	250	Z	"	"	1390-1400
	125	Z	"	"	1420-1440
Aylesboro	125	Z	"	"	1390-1400
	219	Z	"	"	1410-1420
Bushley <sup>2</sup>		O	"	St. Paul's	1410-1420
Hewell	225	Z	"	Bordesley Priory	1420-1440
Longdon		O	"	Westminster	1380-1390
Salwarp		Z	"		1380-1390
		O	"		1400-1410
Tardebigg		Z	"		1420-1440
Wadborough	40	O	"		1400-1410
Aldbourne		O	Wiltshire		1420-1440
Amesbury		O	"	Duke of Bedford	1420-1440
Box		Z	"		1390-1400
Britford	250	Y	"		1380-1390
	210	Y	"		1380-1390
	200	Z	"		1390-1400
Bromham	125	Z	"		1400-1410
	130	Z	"		1410-1420
	130	Z	"		1420-1440
Chilterne	150	O	"		1420-1440
Elstone	116	Z	"		1380-1390
West Heytesbury		Z	"		1390-1400
		Z	"		1400-1410
	187	Y	"		1380-1390
East Heytesbury		Z	"		1390-1400
		Z	"		1400-1410
Homegrange	150	Z	"	Stanley Abbey	1410-1420
Kington	100	Y	"	Glastonbury Abbey	1400-1410
Oaksey		Z	"		1420-1440
Seend		O	"		1420-1440
Teffont		Z	"		1390-1400
	125	O	"		1400-1410
Upavon		Z	"		1380-1390
Winterbo.		O	"		1400-1410

<sup>1</sup> Add. Ch., 18553.<sup>2</sup> St. Paul's Library, Press B, Box 88.

old system of manorial agriculture was completely and permanently broken down.

With the completion of the transition from predial services to money rents tenure in villainage may be said to have come to an end. Some of the old incidents of it, such as fines on alienation, inability of the tenant to cut and sell trees, and even the payment of heriot, have indeed continued to mark tenure by copy of court roll down to the present century. But the essence of villain tenure had consisted in the uncertainty of the tenant's services, and when the old agricultural services were commuted for a fixed money payment this uncertainty passed away.

Very gradually the tenure came to be known in the manorial documents by a new name. Until the great shock to the manorial organization was given by the Black Death, the expression "tenet in villenagio" or "tenet in bondagio" had generally been followed by "secundum consuetudinem manerii": to hold in villainage meant to hold according to the custom of the manor: and title to land so held had been established by the testimony of men that knew this custom. But by reason of the greater fluidity of the rural population that grew up in the last half of the fourteenth century and the disorder of those troublous times, such testimony ceased to be adequate. It now became usual, therefore, to do what at an earlier date had rarely occurred: to appeal for evidence of title and of services due by reason of it to the roll of the manorial court.<sup>1</sup> A copy of the entry on the court roll became the title to customary land, and the name being

<sup>1</sup> Thus at Stevenage in 1367 the jury states "quod [9 men] tenent diversa tenementa in bondagio per rotulum curiae. Set ignorant an debeant sectam vel non; [therefore they are ordered] habere ad proximam copias suas per quas dicta tenementa tenent."—Pub. Rec. Off., Court Rolls, 178/50.

adapted to the fact, the tenant was said to hold "per copiam rotuli curiae," or by copy. The second expression, however, "secundum consuetudinem manerii", was not omitted; and it meant in the middle of the fifteenth century many things that it had meant two hundred years earlier, but with the great exception that this "consuetudo manerii" was no longer uncertain. With the change from labor to money rent the custom had become definitely fixed, and need no longer, therefore, be determined by tradition, since this could be better done by an appeal to the manorial records.

There was yet a third expression used in the court rolls both in the thirteenth and in the fifteenth centuries: the tenant was said to hold not only "in villainagio" (or afterwards "per copiam rotuli") "secundum consuetudinem manerii", but also "ad voluntatem domini." Now it has been shown<sup>1</sup> that in the thirteenth century this third expression was limited by the second, that the "will of the lord" was exercised only "according to the custom of the manor." But when the custom of the manor changed after the abolition of predial services, so also did the relation of the two expressions. To hold "according to the custom of the manor at the will of the lord" came to mean that the new custom, although the terms of it were not definitely known, could be abolished when the lord pleased. The transition can be clearly traced in the court rolls. Thus at Stevenage in 1361 "concessum est per dominum quod J. C. habeat et teneat ad terminum vitae suae unum messuagium cum dimidia virgata terre quas J. F. quondam tenuit de domino reddendo inde annuatim decem solidos pro omnibus serviciis. *Et si aliquis veniet infra dictum terminum qui voluerit facere domino pro*

<sup>1</sup> See above, p. 304.

*dicta terra servicia prius inde debita et consueta admittatur ad voluntatum domini.*"<sup>1</sup> Again at Woolston in 1355, "R. J. pro dimidia virgata habenda et secundum consuetudinem manerii native tenenda *quousque aliquis veniet ad faciendum proinde reddita et servicia antiqueta et consueta* dat domino de fine duodecem denarios et dat domino annuatim pro operibus suis relaxatis sex solidos octo denarios."<sup>2</sup> So also when the uncertain services of the tenants in villainage on the manors of Ramsey Abbey were commuted, it was expressly stated that the new arrangement should endure in one case only for twenty years, in the other "*dum domino placuerit.*"<sup>3</sup> Such entries are typical, and are very frequent on the court rolls of that time.

During the period of transition there was much confusion in the practice of the manorial courts with regard to title to customary land. There seems to have been no sharply drawn distinction between copyhold and leasehold and no definite understanding of the degree in which either tenure depended on the will of the lord. At Stevenage, for example, in 1387, "T. Kyng sursum reddit in manum domini totam illam terram quam tenuit de domino *per rotulum curiae ad terminum annorum.*"<sup>4</sup> In 1385 a tenant "*qui tenuit messuagium et dimidiam virgatam ad terminum vite sue reddendo inde pro omnibus aliis serviciis decem solidos venit in curiam et dimisit et concessit terram predictam [to another] ad terminum vite sue et dat domino de fine pro isto irrotulamento faciendo sex denarios.*"<sup>5</sup> That the dependence of the tenant of customary land on the will

<sup>1</sup> Court Rolls, 178/50.

<sup>2</sup> Court Rolls, 154/77.

<sup>3</sup> See above, pp. 363, 355.

<sup>4</sup> Court Rolls, 178/53.

<sup>5</sup> Court Rolls, 178/53.



of the lord was more uncertain, and therefore greater, after the change of the custom, is shown by such a case as the following. At Woolston in 1360 Walter Martyn died. He had held a messuage and virgate in bondage for which he rendered the ancient predial services and other customs; another messuage and virgate of customary land he had taken at a fixed money rent. On his death his widow was admitted to the first holding, and the question arose whether she was entitled to the second. The bailiff seized a heriot from both, thus treating them as if they were held by the same kind of tenure, but he refused the widow seizin of the land held at a fixed rent. She came into court and claimed that she should have admission to the land held at a money rent, alleging that this land was of the same condition, "*eadem condicione*," as the other, and that by paying the yearly sum for which the *opera* had been commuted she was equally entitled to it. The jury found itself unable to decide, since the old custom did not apply in this case, and the question was referred to the lord of the manor. No decision was reached for three years, and then the case was compromised. The widow paid a fine of twenty shillings as merchet to marry whom she chose, and it was agreed that her new husband should have entry to both holdings on the terms by which Walter had held them.<sup>1</sup> But another widow was not so fortunate. On the death of her husband in 1360, the land which he had held at a money rent was seized by the lord and afterwards let to some one else.<sup>2</sup>

In view of all this confusion it is scarcely justifiable to assume, as has sometimes been done, that the establish-

<sup>1</sup> Court Rolls, 154/78.

<sup>2</sup> *Ibid.*

ment of fixed money rents immediately gave the tenants of customary land greater security than they had formerly enjoyed. They had been protected by the old custom of the manor, and when that custom was broken down the protection it gave ceased with it. But although they were more strictly "at the will of the lord" than formerly, the tenants were as yet in little danger of actual eviction. For the lords found it impossible to let their lands on terms more favorable to themselves than those established by the new arrangement. The tenant held at a money rent "until another should come to take the land on the old terms;" but that other never came. Or the new arrangement was to last only "so long as the lord pleased;" and he did not find it to his advantage to break it. The tenants, therefore, found increased security, not in the alteration that took place in the nature of their services, but in the economic condition of the country.

By the middle of the fifteenth century this condition had begun to alter greatly to the tenant's disadvantage. The old three-field system of agriculture was giving way; the landlords were finding it more profitable to cultivate their lands by another system or were devoting it to sheep raising; the period of enclosures had begun. The tables were now completely turned on the tenants; they could no longer wring concessions from the lords by the threat of desertion; on the contrary, their departure would be gladly welcomed as affording an opportunity to enclose their holdings for pasture or for convertible husbandry. The security, therefore, which had been afforded by the economic condition of the country was destroyed by this agricultural revolution.

Mr. Leadam, in order to account for the evictions that took place during the period of enclosures, holds that

before the predial services were commuted there had been two kinds of unfree tenure which materially differed from each other.<sup>1</sup> One was the tenure by which freemen, villains, or serfs—for he makes a distinction between villains and serfs<sup>2</sup>—had held customary land. The lord could not evict even a serf who held by this tenure,<sup>3</sup> which was tenure in villainage, nor could he impose on him ruinous tallages.<sup>4</sup> He believes that it was this form of tenure that eventually developed into copyhold.<sup>5</sup> The other form of unfree tenure, known as tenure in bondage, was that by which bondmen held portions of the demesne called *terra nativa*, and this tenure was strictly at the will of the lord.<sup>6</sup> Elsewhere he acknowledges that land in villainage was sometimes said to be in bondage,<sup>7</sup> but insists that till the end of the century lands of a bondman might be seized by the lord at his pleasure,<sup>8</sup> whilst copyholders were protected by the king's court.<sup>9</sup>

But such a distinction between villains and bondmen and between "*terra custumria*" and "*terra nativa*" is not observed in the manorial documents at least of the fourteenth and fifteenth centuries. Not only was land in villainage "sometimes" said to be in bondage, but the terms were convertible; the characteristics of one tenure were identical with the characteristics of the other; neither was more at the will of the lord than the other; and both developed into copyhold tenure.

<sup>1</sup> Trans. Royal Hist. Soc., New Series, VI, 209.

<sup>2</sup> *Ibid.*, VII, 132.

<sup>3</sup> *Ibid.*, VI, 216.

<sup>4</sup> *Law Quarterly Review*, IX, 355.

<sup>5</sup> Trans. R. Hist. Soc., N. S., VI, 212.

<sup>6</sup> *Ibid.*, 197.

<sup>7</sup> *Law Quarterly Rev.*, IX, 352.

<sup>8</sup> *Ibid.*, 356, 360.

<sup>9</sup> *Ibid.*, 358.

A few examples taken at random from the many that have been observed in the proceedings of the manorial courts will make it evident that this is true.

At Bright Waltham, Berkshire, in 1331, J. S. was holding a certain tenement in bondage; he permitted it to deteriorate, and therefore it was seized by the lord. The following year the same land was let to R. T. to hold in villainage.<sup>1</sup> On the same manor in 1340 R. A. who held a messuage and half virgate in bondage died. His widow came into court and claimed the land to hold "according to the custom of the manor;" and as the jury testified that she had the custom in her favor the land was given to her.<sup>2</sup> It does not seem, therefore, that land in bondage was more at the will of the lord than land in villainage. In 1341 another tenant in bondage died, and on the payment of the usual fine to have entry his son received his land to hold according to the custom of the manor.<sup>3</sup> Evidently then on this manor to hold land in bondage, to hold it in villainage, and to hold it according to the custom of the manor meant one and the same thing. At Cuddington in Suffolk about twenty men in 1331 claimed that they held their land "in bondagio." Their services for a messuage and one virgate were enumerated, amounting to about three shillings ten pence in money and thirty-six *opera* a year, and it was minutely specified how the *opera* were to be spent. From this it seems that the services of a tenant in bondage were not more uncertain than those of a tenant in villainage. That same year a stranger, "adventicius", arrived on the manor, and received from the lord a messuage and a half virgate to hold in bondage, whence it is apparent that the tenant

<sup>1</sup> Court Rolls, Bundle 153.

<sup>2</sup> *Ibid.*

<sup>3</sup> *Ibid.*

in bondage might be a freeman.<sup>1</sup> On this manor also, as at Bright Waltham and elsewhere, we find sons inheriting the land which their fathers had held in bondage under exactly the same conditions as prevailed for land held in villainage. That the services due from a tenant in bondage were not more uncertain than those due from a tenant in villainage is further shown by the fact that at Cranfield, Bedford, in 1350, W. W., lately deceased, had been holding land "in bondagio censo", that is, in bondage but at a fixed money rent.<sup>2</sup> At Stevenage, Hertfordshire, in 1367 there were nine men holding land "in bondagio per rotulum curiae."<sup>3</sup> Such cases were not infrequent, and show conclusively that tenure in bondage as well as tenure in villainage developed into copyhold; so that whatever protection was afforded the freeman holding by copy in the fifteenth century was enjoyed likewise by the villain. On this manor, furthermore the holdings of the villains are called virgates or customary land in the bailiffs accounts and "terra nativa" in the court rolls; and the tenants themselves are spoken of as "custumarii" by the bailiff, while in the court rolls they appear as tenants in bondage. As the same names were similarly used at Wools-ton and on many other manors, the necessary conclusion is that "terra nativa" and "terra custumaria" were two names for the same thing; and that tenure in bondage and tenure in villainage were identical.

It is no part of the object of this paper to discuss who the sufferers from the enclosures were, nor by what tenure they held. It is intended, however, to emphasize that there is no evidence to show that they were villains or bondmen rather than freemen or that their tenure

<sup>1</sup> Court Rolls, 204/44.

<sup>2</sup> Court Rolls, 179/33.

<sup>3</sup> Court Rolls, 178/50.



was in any way peculiar to unfree men. The land from which they were ejected may very well have been portions of the demesne, and it may equally well have been portions of the customary land that had been surrendered by the former tenants and afterwards let strictly at the will of the lord and not by copy.

But whoever the sufferers were, and whatever the land was that they held, their tenure was something entirely different from villainage. For during the period when the ancient manorial custom was falling into impotent decadence, another power was gradually usurping the control of manorial affairs and offering protection to the copyholder, as the tenant in villainage was now coming to be called. It will be remembered that a characteristic of the ancient tenure in villainage, following from the uncertainty of the tenant's services, was that it was unprotected by the king's court. By the end of the fourteenth century it has been shown that this uncertainty had in large measure ceased to exist. There remained, therefore, little reason for a continued abstention of the king's court from interference between lords and customary tenants. Exactly when such an interference began it is impossible to say. Mr. Leadam, whose careful investigation of the circumstances of the enclosures has thrown much light on the condition of the peasantry, thinks it may be traced back to the time of the Revolt under Wat Tyler.<sup>1</sup> But be that as it may, he has shown conclusively that the eviction of copyholders during the agricultural revolution was extremely rare, and has made out a strong case to prove that their security was due to the protection given them by the king's court.<sup>2</sup> When it became possible for an ousted

<sup>1</sup> Trans. Royal Hist. Soc., New Series, VI, 236.

<sup>2</sup> Trans. Royal Hist. Soc., New Series, VI, 241; and *Eng. Hist. Review*, VIII, 684 ff.

copyholder to proceed by petition from the court of his lord with an appeal to chancery, and when Chief Justice Danby in 1467 declared himself ready to grant him an action of trespass if evicted by his lord, though no possessory action lay at common law, we cannot escape the conviction that processes had been devised that gave him security equal at least to that of the small freeholder.

Villainage as a status did not pass away so early as villain tenure. Indeed, well on in the sixteenth century the manorial records<sup>1</sup> as well as contemporary writers testify to still existing traces of it. But they also bear witness that it was then the status of a very small number of people. Fitzherbert wrote in 1523, "Howbeit in some places bondmen continue as yet;"<sup>2</sup> thus implying that in most places there were none left. One of the demands of the rebels under Kett in 1549 was, "that all bondmen be made ffre,"<sup>3</sup> a demand which does not seem, however, to have added greatly to their ranks.

With the transition from compulsory labor to hired labor on the demesnes, the chief *raison d'être* of villainage had ceased. So long, however, as there was any hope of a return to the old system the lords had endeavored to keep their villains at home, and it has been shown that there was some increase in the sums demanded as chivage. And even long after such hopes must have perished, the court records continued to contain a list of the names of all those that left the manor without permission. But instances of the recapture of

<sup>1</sup> At Hemingford, for example, in 1513, of the things to be inquired into before the next meeting of the court, "*alia est pro diversis villanis ex isto manerio commorantis sine licentia.*" Court Rolls, 179/82.

<sup>2</sup> Fitzherbert, "Surveying," Ch. 13.

<sup>3</sup> Russell, "Kett's Rebellion in Norfolk," 52.

such deserters become fewer and fewer. At Shillington in 1429 three villains simply "*disclamant condicionem nativorum*" and nothing was done about it.<sup>1</sup> By the middle of the century it was growing very difficult to trace the fugitives, and it was not unusual for the jury to report their names to the manorial court, and to state "*sed ubi ignorant*;" then with a naive sarcasm it was added "*et preceptum est ballivo eos capere.*" Throughout the fifteenth century, wherever the manorial organization survived, the bailiffs received these instructions; the manorial courts ordered them to seize all the villains absent without permission "*ac omnia eorum bona et catalla.*"<sup>2</sup> That they were unable to obey the instructions is evident from the fact that year after year the same names appeared in the lists; indeed, on many manors instead of repeating the lists it was simply said "*Nativi ut in anno precedente.*"<sup>3</sup> Very often also the jury acknowledged, "*De nativis ignorant.*"<sup>4</sup>

With the gradual decay of the judicial powers of the manorial lords and the transfer of those powers by Acts of Parliament to the justices of the peace, the lords lost the means by which they had kept their villains at home and held them to the performance of their duties. Actual collections of chivage, as well as of other fines, therefore grew constantly less frequent. All the court rolls that have been preserved give evidence of this,<sup>5</sup> but none more strongly than those of the courts holden

<sup>1</sup> Court Rolls, 179/59.

<sup>2</sup> As late as 1513 there were reported at Wistow 9, at Hemingford 2, at Broughton 14, at Elsworth 4 villains that were absent without permission.—Court Rolls, 179/82.

<sup>3</sup> Cf. Court Rolls, 179/82.

<sup>4</sup> Cf. Court Rolls, 179/74.

<sup>5</sup> At Woolston in May, 1511, the court perquisites amounted to only 2s. 9d.; by 1524 they had fallen to 2d. In the first half of the fourteenth century they had sometimes been over £3.—Court Rolls, Bundle 154.

on the manors of Ramsey Abbey.<sup>1</sup> On these manors until the end of the fourteenth century the courts seldom met without collecting several payments of chivage varying in amount from twopence to twenty shillings. But after that time both the number of payments and the sums paid rapidly diminished. At Cranfield in 1420 there were two, one of sixpence, the other of two shillings; at Holywell 1424 one man paid fourpence, another one shilling; at Ellington as late as 1440 there were as many as five payments, but none of more than a penny; the latest recorded was at Houghton, where a villain paid eight pence as chivage in 1498.

Sometimes the occupation and abiding place of the absentees are recorded, and it helps us to an understanding of what became of them after they left home.<sup>2</sup> It shows also to what an extent the industrial, commercial and seafaring development of England at the end of the Middle Ages was due to the abolition of villainage. Striking contrasts have frequently been pointed out between England's commercial and colonial policy with its spirit of individualism and private enterprise, and the policy of France, which originated with and was controlled by the government. But it has not been pointed out that the contrast was due in large measure to the freedom of movement, the *Freizügigkeit*, that had been acquired by the masses of the people in Eng-

<sup>1</sup> Court Rolls, Bundle 179.

<sup>2</sup> At Houghton, W. T. pays 6*d.* to retain J. Upton in his service in the cloth trade; and J. Upton pays 1*s.* to keep Beatrice Upton with him. At Slepe, J. R. pays 3*s.* 6*d.* to live in St. Ives as a tanner.—Court Rolls, 179/44. At Cranfield, 1420, two pay chivage to go elsewhere as butchers and another as a tanner. In 1410, at Shillington, one had taken service with the king; at Therfield, one had gone off with the Duke of York; at Barton, two had gone away to school. There were many others absent, but it was not known where they were.—Court Rolls, 179/50.

land when that policy began; whereas in France they were still in a condition of serfdom.

Very often the fugitives went from one of their lord's manors without his consent, and quietly settled on another that also belonged to him, giving themselves apparently no concern about his displeasure.<sup>1</sup> Such behavior is strongly evincive of the lord's weakening powers. There were some villains also that took service in the armies that were fighting to maintain English supremacy in France; while others became retainers of the great barons, and contributed to the internal disorder that eventually wore themselves out in the Wars of the Roses. But the greater number of them went to the towns, and gave cause as early as 1389 for action on the part of the government to check the desertion of the country. The necessity for the re-enactment and the increasing stringency of laws having this object in view shows, however, that they were but slightly efficacious. The towns opposed the policy, encouraged the immigration of countrymen so as to obtain apprentices for the different crafts or crews for the ships that were being built for the Merchant Adventurers, and sometimes petitioned for exemption from the laws. It is a very significant fact that the time when the towns first began to grow rapidly in population and in wealth<sup>2</sup> was the time when the abolition of villainage also began. Much of their later prosperity, such as it was, is to be attributed to the freedom of movement acquired by the large class of people that had previously been adscripti glebae. And as the abolition of villainage helped the

<sup>1</sup> Thus of the seven that were absent from Broughton in 1398, four had settled without permission on other manors belonging to Ramsay Abbey.—Court Rolls, 179/43, 44.

<sup>2</sup> Mrs. Green tells us this was in the middle of the fourteenth century: "Town Life in the Fifteenth Century", I, 13.



towns, so also did the growth of the towns through the opportunities they held out to industrious immigrants promote the abolition of villainage. The well-known stories of the careers of such men as Dick Whittington, of Judge Paston, and others illustrate the possibilities presented in the early fifteenth century to clever young adventurers from the country, be they bond or free.

But there were not a few that failed to take at the flood the tide that led to fortune. Such a record as that at Cranfield, which relates that of the fourteen absent villains in 1420 "*unus est mendicus*,"<sup>1</sup> occurs not infrequently; and it shows that some who left their homes without preparation against the difficulties to be encountered in the outside world gradually fell from the class of "valiant beggars" to that of the "impotent poor." It is not a mere coincidence that the first English Poor Law<sup>2</sup> is contemporaneous with the rapid transition from predial services to money rents; it shows how great was the number of wanderers, tramps, deserters, and how impotent were the manorial lords to hold their villains in personal subjection.

And not only was the class of villains growing constantly smaller throughout the fifteenth century, but the obligations also through which the status was manifested became gradually lighter. With the abolition of predial services the right of the lord to change his villain's holding and thus increase his services fell into desuetude. Rare instances of its exercise do indeed occur in the records of the fifteenth century, but they grow continually harder to find.<sup>3</sup>

<sup>1</sup> Court Rolls, 179/56.

<sup>2</sup> 12 Richard II, C. 7.

<sup>3</sup> At Woolston, 1385, it was ordered that R. N. be distrained "*per omnia bona et catalla*", till he agreed to discharge the duties of reeve. —Court Rolls, 154/80. At Hemingford, 1411, J. N. was forced to take land and render the services due from it. —Court Rolls, 179/53.

As to the third obligation, however, through which the villain's status has been manifested, that of surrendering his possessions when his lord chose to seize them, the evidence is more conflicting, and different interpretations have been put upon it. Mr. Denton says, in his description of England in the Fifteenth Century,<sup>1</sup> that "in theory all the possessions of bondmen belonged to their lord; this was, however, a fiction that had become obsolete." Mr. Leadam, on the other hand, assures us, "The assertion of the lord's right to bondmen's realty and personalty . . . and the practical enforcement of it was as unequivocal in the sixteenth century as in the age of the *Myrrour*."<sup>2</sup> But Mr. Denton, careful as he is in most cases to give the ground on which his opinions are based, cites no evidence at all in support of this one; while Mr. Leadam has adduced in support of his statement only two cases of the actual seizure of personalty, and in both cases the goods seized had to be restored, because it was proved that the sufferers were not bondmen. Unfortunately we cannot look for definite information on this point to the manorial documents, for arbitrary seizures by a lord of his villain's possessions would not appear in them. On the whole, however, the evidence they give favors the view that before the end of the fifteenth century the villain was at no greater disadvantage in this regard than the small freeman. They do indeed strenuously insist throughout the century upon the lord's right to seize his villain's goods and chattels at his discretion.<sup>3</sup> But they also

<sup>1</sup> *Op. cit.*, 224.

<sup>2</sup> *Law Quarterly Review*, IX, 355.

<sup>3</sup> The entry on the Court Rolls of the Ramsey Abbey manors, "seizure in manum domini omnia bona et catalla omnium nativorum istius manerii ad praesens existencia seu in futuro contingencia" was repeated until 1539—Court Rolls, Bundle 179.

insist equally upon the lord's rights to the person and the realty of his villains, and it has been shown that these were not exercised. Furthermore, they testify to the gradual cessation of those seizures that were justified by ancient custom,<sup>1</sup> à *fortiori* to the non-occurrence of others. In the absence, then, of any proved case of arbitrary seizure it is not unreasonable to conclude that during the fifteenth century the property rights of a villain came to be as much respected by his lord in practice as were those of a free tenant. Until the agricultural revolution set in, the same conditions that gave the villain security in the possession of his land would tend to make him equally secure in the possession of his other goods. During the period of the civil wars which followed, the excursions and alarms of the contending armies often ushered in a scene of plunder and devastation to villain and freeman alike. The tradition of their sufferings at that time was still living in 1543, when an aged witness deposed before the Court of Requests "that he hathe hard hys father saye that before the batayle which was calleyd Ester Daye Ffeld . . . the

<sup>1</sup> *Tallage*.—At Woolston, for example, tallage "quod esse solebat quadraginta solidos aut triginta solidos aut maius aut minus ad voluntatem domini", and which before the Black Death had sometimes reached sixty shillings a year, had fallen in 1390 to 18s., in 1412 to 16s., in 1420 to 15s. 8d. After that date there is a long break in the records, and when the Court Rolls are again resumed in 1511, there is no sign of tallage at all.—Court Rolls, Bundle 154.

*Merchet*.—This was very rarely paid in the fifteenth century. The last case at Stevenage was in 1393, when a villain paid 6s. 8d.; the last case at Woolston was a payment of 13s. 4d. in 1390. There was a payment of 1s. as merchet at Abbot's Ripton in 1405; one of 6d. at Appledram in 1441. The last case that I have noticed, and the only one after 1450, was a payment of 5s. at Houghton in 1498.—Court Rolls, Bundles 178, 154, 179, 205.

*Leyrwite*.—Payments of this were rarer still. One was imposed at Warboys in 1401, but the steward excused it; one of 5s. was made at Abbot's Ripton in 1405; another of 5s. at Brighton in 1420.—Court Rolls, Bundle 179.

Northern men laye there [at Abbot's Ripton] so long before the Ffelde was ffoughten, that they impoveryslied the countrey."<sup>1</sup> After the turmoil and strife of the great landowners were over, and the Court of Requests was established to see that they did justice to the poor man, it had little to do in protecting the villains; for there were very few villains left to protect. Villainage had perished, and the traces of it that existed after the fifteenth century would remotely suggest how vast the institution once had been. In the evolution of the physical body no important member perishes without leaving some survival to indicate the function it has once discharged: an analogous survival in the body politic was English villainage in the sixteenth century, interesting perhaps to the antiquary, but unimportant to the student of economic history; for it was no longer an institution capable of hindering or of promoting the further development of the country.

<sup>1</sup> Cunningham, "Growth of English Industry and Commerce", I, 455 *note*.





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ESSAYS IN COLONIAL FINANCE

BY

MEMBERS OF THE AMERICAN  
ECONOMIC ASSOCIATION

COLLECTED AND EDITED BY  
A SPECIAL COMMITTEE

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AUGUST, 1900

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## PREFACE.

The essays here published relate to colonial fiscal systems so widely different that it has not been found practicable for the writers to follow the same plan. All have, however, tried to keep clearly in mind the relations of colony to mother country and to call attention especially to peculiarities in the systems.

Some of the essays were finished several months ago; others, owing to difficulty in securing material or to other causes, have been lately written.<sup>1</sup> For this reason, and still more from the difficulty in securing material, it will be found that the statistics do not in all cases cover the same time, nor are they all up to date, though it is thought that in no case has any late change in the system been made so material that the conclusions drawn would be particularly affected.

In many instances, probably in most, it has been very difficult, sometimes it has proved impossible, to secure the best material. The colonial statutes and reports, even some of the handbooks, are to be had only from the colonies concerned; and the time required to secure them, as well as the difficulty of getting information regarding their cost, seemed too great to make it wise to order. In such cases the writers have had to depend largely on general handbooks. It is hoped, nevertheless, that the information here gathered may be of real service.

JEREMIAH W. JENKS,  
Chairman.

*Ithaca, June 20, 1900.*

[<sup>1</sup> The essay on Spanish Colonial Policy was not received until the Report of the Committee had been printed.—C. H. H.]



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#### ERRATA.

P. 162, note 2, for " 3 Hansard " read " 4 Hansard."

P. 175, line 6 from bottom, for " 1890-1900 " " 1899-1900."





## REPORT OF THE COMMITTEE ON COLONIES.

The Committee on Colonies constituted at the eleventh annual meeting<sup>1</sup> was finally organized as follows :

Jeremiah W. Jenks, Chairman,  
Hon. Charles S. Hamlin,  
Prof. Edwin R. A. Seligman,  
Dr. Albert Shaw,  
Prof. E. H. Strobel.

In the following summer Professor Strobel, on account of intended absence in Europe, withdrew from the committee, so that the present report is signed by only four members.

It seemed wise to the committee to secure information regarding the fiscal methods and economic conditions of typical modern colonies and to endeavor, on the basis of this information, to suggest tentatively some general principles which might be applicable to the government of the new dependencies of the United States.

In addition to the members of the committee several other persons, on the solicitation of the chairman, agreed to make reports on various colonies. Papers have been received on the fiscal systems of the French, the German, the Danish, the Dutch and the Italian Colonies, and on several of the English Colonies and dependencies : the West Indies, South Africa, Egypt, and those of the Far East.

As a result of this study the committee venture to offer the following general suggestions, some of which are applicable to the United States :

First. The finances of each colony should be managed

<sup>1</sup> "Hand-Book," 1899, p. 50.

exclusively for the sake of the colony and for its development, and not for the advantage of the mother country.

Second. No uniform system of detailed fiscal management for a number of colonies in different parts of the world can be established. Each colony must be considered by itself and its system must be adapted to its conditions.

Third. Each colony should, as far as possible, be made self-supporting; but the mother country may well sustain the colony's credit or make advances to be repaid at a later date.

Fourth. In undeveloped colonies whose inhabitants are not capable of managing important public works such as railways, canals, telegraph systems, etc., these improvements may well be owned by the government and managed by government officials rather than by private companies.

Fifth. The selection of sources of revenue must in each case be determined in accordance with the economic and social conditions of the colony.

Sixth. Where the colony is so situated that the development of trade with foreign countries is the chief economic consideration, import duties should be very low or practically non-existent.

Seventh. In colonies of undeveloped economic resources the chief reliance for general government income should be on a system of internal revenue taxes, with compensatory duties on articles imported, when similar to those subject to internal revenue taxes. Excise duties should be levied primarily on a few articles of general consumption, like alcoholic drinks, opium and rice. When any colony has decided advantages in the production of some specially favored commodities like sugar, tobacco, hemp, etc., it may be desirable to impose

business licenses or similar duties on them. It is even a question whether low export duties on such commodities may not advantageously be employed in exceptional cases, it being assumed that under these circumstances a duty on colonial exports would not be inconsistent with the Constitution of the United States.

Eighth. It is undesirable to utilize an octroi or a system of taxes on consumption for local purposes. Local revenue should, in most cases, be derived in a large measure from real estate, business licenses and kindred specific taxes.

Ninth. Wherever possible, in the administration of fiscal affairs, natives should be utilized as officials. It should be fully understood, however, that in the last resort the desires of the United States Government, expressed by the proper authority, are to be paramount and its decisions final.

Tenth. As long as any of the colonies have not attained modern industrial conditions, it may be advisable to continue as far as possible native customs during the period of transition. For example :

It is quite possible that for some time to come the system of farming out the revenue to contractors, especially to native chiefs, should be retained, under such restrictions as may prove practicable.

Eleventh. For the proper administration of the fiscal system in any of the dependencies of the United States it is absolutely essential to establish a civil service, which is beyond question as respects the ability and honesty of its personnel.

Twelfth. In those dependencies where it is difficult to secure an adequate supply of efficient native labor, the question of the admission of foreign laborers should be seriously considered. While there may be sufficient

justification for the exclusion of Chinese workmen from the United States, it by no means follows that they should be excluded from the Philippines.

JEREMIAH W. JENKS,  
CHARLES S. HAMLIN,  
EDWIN R. A. SELIGMAN,  
ALBERT SHAW.



## THE FRENCH COLONIAL FISCAL SYSTEM.

### *I. History and Present Extent of the Colonies.*

The history of the French colonies begins in the fifteenth and sixteenth centuries when sailors of the crown took possession of lands in the new world and on the African coast. Under Richelieu and Colbert came the period of greatest expansion. In the seventeenth century France owned vast possessions in Canada, in Louisiana, in the Antilles and in Hindoostan. With the peace of Utrecht in 1713 the dismemberment of the colonial empire began; until by the treaty of Paris in 1814 France had been stripped of most of her possessions with the exception of several of the Antilles and of minor settlements in Africa and Asia. Very shortly thereafter, however, a new period of progress set in, starting with the gaining of a foothold in Algiers in 1830, and slowly progressing in other parts of Africa during the next half century. But with the beginning of the eighties a new and more vigorous policy was adopted. More than two-thirds of the present colonial empire has been added to France in the last fifteen or twenty years. The chief acquisitions of these recent decades are Tunis, large tracts in Central Africa, the island of Madagascar and the countries in the neighborhood of Cochin-China and Tonkin.

At present the French dependencies comprise the following:

I. America: (1) French Guiana; (2) Martinique, Guadeloupe and dependencies in the Antilles; (3) Saint Pierre et Miquelon near Newfoundland.

II. North Africa: (1) Algiers; (2) Tunis.

III. West Africa: (1) Senegal; (2) French Soudan; (3) French Guinea; (4) Ivory Coast; (5) Dahomey and Bight of Benin; (6) French Congo.

IV. East Africa: (1) Obock and Somali Coast; (2) The Comoro Islands and Mayotte; (3) Reunion; (4) Madagascar.

V. Asia: (1) French India (Pondichery, Chander-nagor, Yanaon, Mahé, Karikal, etc.); (2) Indo-China; (a. Cochin-China, b. Cambodia, c. Annam, d. Tonkin).

VI. Oceanica: (1) New Caledonia and New Hebrides; (2) French Oceanica (a. Tahiti and Moorea, b. Marquesas Islands, c. Society Islands, d. minor islands).

Outside of Algiers, Tunis and Indo-China, which occupy a place by themselves, the French dependencies may be divided into two groups: the first, or the colonies proper, including those which have a general legislative council (*conseil général*); and the second, often called the possessions in contrast to the colonies, with a more rudimentary administrative organization.

The first class comprises the following; Martinique, Guadeloupe and Reunion (1882)<sup>1</sup>; Guinea, Senegal and French India (1878); St. Pierre et Miquelon (1885); New Caledonia (1885); Tahiti, and the rest of French Oceanica, (1885); and Mayotte and Comoro, (1896).

The second group includes French Congo (1887), French Soudan (1893); French Guiana (1893); Ivory Coast (1896); Dahomey (1894); Somali Coast (1896); and Madagascar, (1896).

As to the others, Algiers is treated as a part of France. It is divided into three departments, sends representatives to the French parliament and is subject in its different interests to the various ministers at Paris. Tunis, as a protectorate, falls within the province of the Minis-

<sup>1</sup> The date is that of the present administrative organization.

ter of Foreign Affairs, as does also Madagascar. All the other colonies and dependencies are under the control of the Minister of Colonies. Indo-China was formed in 1887; but in 1888 it was decided that for fiscal purposes Cochin-China, Cambodia and the protectorate of Annam-Tonkin should be kept separate. In Indo-China many of the expenses which in the other colonies are borne by the home government are defrayed by the colony itself. Not only this, but a large part of the revenues of this colony go to the home government in the shape of a "contingent," to be discussed below.

## II. *Development of the Fiscal Policy.*

Before the Revolution the French colonies were managed, very much as those of other nations, in accordance with the ideas of the Mercantile System. The colonies were supposed to exist for the sake of the mother country alone, and in their commercial and fiscal relations with the home government the interests of the colonists were made entirely subordinate to those of the mother country. In the nineteenth century, however, there have been several changes of policy. Beginning in 1825 we have the period of so-called autonomy, in which a large measure of self-government was granted to the colonies in fiscal as well as other matters. In 1841 there was initiated the second period, that of so-called assimilation, in which a far more rigorous dependence upon the home government in fiscal matters was insisted on. This lasted, however, only a short time; for 1854 witnessed the inception of the third period which has continued, with one important exception, to the present time,—the period of modified autonomy, in which a somewhat greater degree of independence was given to the colonies. The exception referred to is

due to a change in the year 1892, by which the privilege of imposing independent tariffs was again taken from the colonies. Apart from this, most of the colonies are still regulated by the law of 1854, modified in some respects by the law of 1866, which forms the basis of the French fiscal colonial system. As has already been stated, however, Algiers occupies a position by itself and Indo-China possesses a fiscal system which differs in some details from those of the other colonies. Unless there is an express statement to the contrary, therefore, the general references in the following discussion apply to all the colonies with the exception of Algiers and Indo-China.

In general the fiscal relation of the colonies to the home government is one of partial autonomy. As a consequence of this lack of complete autonomy, there has been developed a curious and somewhat confusing arrangement. The expenses and receipts of the colonies are divided into two budgets, the one constituting a part of the budget of the home government, the other forming a separate colonial budget.

### III. *The French Budget of the Colonies.*

The home government is responsible for a number of expenses, the most important of which are those for the army and navy, for the salaries of the civil, judicial and religious officers, for the penal institutions and for the so-called common expenses, which include the salary of the colonial minister and his office, as well as of the colonial inspectors. These expenses may be classed under two main heads: the expenses of sovereignty, and the subventions accorded to the separate colonies to aid them in defraying their local expenses. In 1898 the expenses for which the home government thus made itself

responsible amounted to over 91 million francs. In addition to this large sum France also makes considerable grants in the shape of shipping subsidies (and to a minor extent, cable subsidies) to the lines having relations with the colonies. These grants which amounted in 1898 to 23½ million francs are also included in the budget of the colonies which forms a part of the home budget. Thus the total expenses chargeable to the colonies, but paid by the home government, amounted in 1898 to over 116 million francs. The details of these expenses are given in Table A on pages 35 and 36.

Against these expenses which appear in the French budget proper ought to be put the receipts from the colonies which go to swell the income of the mother country and appear in its budget. These receipts are of four kinds : first, the so-called "contingents" imposed on the colonies ; second, the India rent ; third, the deductions from salaries for civil pensions ; fourth, the sale of state property and the proceeds of prison labor. The "contingents" comprise a number of small contributions, supposed to be paid by the various colonies. The purposes for which the contingents are paid are fixed by the law of 1866 which, it is to be noted, applies only to the three so-called ancient colonies, Guadeloupe, Martinique and Reunion ; but the principles of the law of 1866 have been extended to the other colonies by subsequent legislation, especially in the eighties. Although the contingents are in general insignificant, the reverse is true of Cochin-China. In the budget of 1898 the total contingents amounted to 5,839,000 francs, of which Cochin-China alone was responsible for 4,510,000 francs. The remainder was distributed in small amounts among the other colonies. The above figures comprise not only the colonial contingents, so-called, as defined by the law



of 1866, and its successors, but also the additional colonial "contributions" as fixed by the arrangement of 1893. In theory the "contingents" are supposed to be a payment on the part of the colonies in return for the expenses of sovereignty defrayed by the mother country and chargeable to the general French budget. On the other hand the so-called "contributions" are supposed to be payments toward the general expenses of the home government, whether these expenses have been incurred for colonial purposes or not. As a matter of fact, however, most of these contributions go toward defraying the expenses of certain institutions in Paris which have been created for colonial purposes. The contributions themselves are insignificant, amounting to less than half a million francs, as against the contingents of more than five million francs. Thus the sums raised in the colonies by both contingents and contributions are in fact spent for purposes which redound to the interests of the colonies themselves. Much dissatisfaction, however, is expressed with the system; Cochin-China in especial seems to be severely treated, for not only do more than four-fifths of the contingents come from that colony, but it has to defray out of its own resources most of the expenses which in the other colonies are chargeable to the subventions granted by the home government.

The other items in the receipts mentioned above may be dismissed with a few words. The India rent is a sum of 668,000 francs which has been paid since 1818 by England in return for the abandonment by the French of the salt monopoly in India. The deduction from the salaries of the colonial administrators for pension purposes explains itself. The miscellaneous receipts from the sale of property and the proceeds of prison labor

amounted in 1898 to about a million francs. Table C (page 37) gives the complete list of receipts as contained in the French budget of 1898; Table B, on the same page, gives the "contributions" in detail. If we deduct the receipts from the expenditures, it would appear that the colonies cost France in 1898 over one hundred and eight million francs. This, however, does not include the sums due to the increased expenditure of the home administration which are properly chargeable to the existence of the colonies. To differentiate these, however, would be impracticable.

In addition to this list of expenses and revenues contained in the French budget proper we have now to note the separate colonial budgets themselves.

#### IV. *The Colonial Budgets.*

It may be said in general that the colonies in fixing their own budgets have a large measure of autonomy, modified, however, in some important particulars. On the side of expenses, for instance, there are certain so-called obligatory expenses for which each colony is compelled to provide in its own budget. On the revenue side the colonies have a free hand, except that since 1892 they have lost the right of fixing the rate of the tariff duties. This power is now reserved to the home government. The colonial budget itself is discussed and fixed by the General Council in all the colonies where that institution exists. It must then be submitted to the Colonial Governor who represents the home government. The powers of the governor, however, are carefully defined by the law of 1866. If the budget balances and if all the obligatory expenses have been provided for, the governor cannot modify the budget in any way; his consent is therefore in such

cases a simple formality. If, however, there is a deficit, or if no adequate appropriation has been made for the obligatory expenses, the governor may intervene. The same holds true of the so-called supplementary credits, where intervention by the governor is also permissible.

Coming now to a consideration of both sides of the budget, we may say a word first as to the expenditures.

### *V. The Colonial Expenditures.*

The most marked characteristic of colonial expenditures is their division into obligatory and optional expenditures. This division was clearly brought out by the law of 1866, which fixed the obligatory expenses for the three old colonies of Martinique, Guadeloupe and Reunion. The law declared the obligatory expenditures to be eleven in number: first, the payment of the debt; second, the maintenance of the government buildings and of the assistants connected with the governor's residence; third, the maintenance of the buildings for judicial and religious purposes; fourth, the rent and maintenance of the governor's private residence; fifth, the building and clerks of the governor's secretary; sixth, a part of the maintenance and salaries for public instruction, police, insane and poor children; seventh, the housing of the policemen; eighth, the return of immigrants; ninth, the cost of the publication of finance accounts; tenth, the contingent imposed on the colony; eleventh, certain unforeseen expenses. The laws of 1882 and 1885 extended this list to most of the other colonies. As we have already intimated, however, the obligatory expenses in the case of Cochin-China are considerably more numerous. All the colonies are compelled to provide for these obligatory expenditures in their budgets, and

where they amount to large sums, as in Cochin-China, the discontent is very marked.

In contradistinction to the obligatory expenditures are the optional and extraordinary expenditures which may be fixed at pleasure by each colony separately.

## VI. *The Colonial Revenues.*

The colonial revenues are derived from four sources: first, taxation proper; second, tariff duties (which in France are put in a class by themselves); third, income from colonial property; and fourth, subventions from the home government.

The system of taxation is supposed to be based largely on that of the mother country. Indeed, the colonial tax systems resemble those of the mother country primarily in the fact that by far the greater part of the revenue comes from indirect taxation. But so far as direct taxes are concerned the colonies differ in many respects not only from the mother country, but also from each other. This is due of course to the influence of local conditions and of the varying degrees of economic and social development. Table D (page 38) gives a comprehensive survey of the sources of revenue in each colony. From this table it will be seen that what is common to almost all the colonies is the poll tax, the business tax, the export and import duties, the tax on spirituous liquors, and the stamp tax.

The direct taxes of the mother country, as is well known, are of four kinds. They comprise the land tax, the "personal and movables" tax (being a combination of a poll tax with a tax on rentals), the door and window tax, and the business tax. Of these four taxes, that on doors and windows is entirely lacking in the colonies; the "personal and movables" tax has gener-

ally shrunk to a poll tax; while the land tax and the business taxes are assessed on very different principles from those observed at home. The land tax is found, with a few exceptions, in most of the colonies, but in several it applies only to land on which houses are built, thus becoming virtually a house tax. On the other hand, even where the land tax proper exists, it is not levied, as in France, on the annual revenue, but, as in all primitive land taxes, it is assessed on the area or gross produce. In some cases it even takes the shape of a definite rate on different classes of land. In Tunis and Algiers, moreover, the original Arab land taxes are still in force, and in Algiers no real estate tax at all is levied on Frenchmen. In but one case, that of Reunion, is the tax assessed on property value, and even there it is applied only to houses, the rate being  $\frac{3.5}{100}$  of one per cent. In the Antilles sugar lands are exempt from the land tax which is there replaced by an export duty on sugar. A similar principle applies to salt lands in New Caledonia, India and Cochin-China.

Of more fiscal importance than the land tax is the poll tax which, as is well known, has all but disappeared in most modern countries. The poll tax is not found in the Antilles, in the newer African possessions, or in Guinea. In most of these it has been replaced by a tax on rentals. But in the older African and more especially the newer Asiatic possessions the poll tax still forms an important part of the revenue.

The business tax is modelled quite largely upon the French "*patente*" which at home is composed of a so-called *droit fixe* and a *droit proportionnel*. In the colonies, however, it is generally either the one or the other. Practically it is a kind of business license. It is found in almost all of the colonies, although it is of



significance chiefly in the so-called old colonies. In addition to these direct taxes we find almost everywhere the so-called tax for the verification of weights and measures, which is in reality nothing but a fee, and which has been rendered necessary by the extension of the decimal system to the colonies. While the poll, land and business taxes are common to many of the colonies, we also find a few isolated taxes, which are levied in only a single colony, or at most in two or three colonies. Such are the carriage tax in Reunion and India; the boat tax in Cochin-China, Annam and Tonkin; the tax on mine rents in Guinea and especially in New Caledonia; and finally a kind of income tax from intangible personalty in Martinique and Guadaloupe. This latter tax is, however, for local purposes only.

In treating of the direct taxes, a word must be said finally about Algiers. Although Algiers, as has already been stated, is treated to a certain extent as a part of France itself, in dealing with fiscal as well as with general administrative principles a line is drawn between the French citizens proper and the bulk of the native Arab population. In the case of the native population with its entirely different social and economic basis, the revenue system, is, as might be expected, completely different. The so-called Arabian taxes to which the native population is still subject are four in number: the *Hockor*, the *Achour*, the *Zekkat* and the *Lezma*. The *Hockor* is a tax on the lands still held in common, for in Algiers, as in all primitive countries, private property in land is an institution of slow growth. The *Achour* is a tax on the gross produce based mainly on the number of ploughs. It is still largely paid in kind. The *Zekkat* is a tax on the cattle owned by the nomadic population, while the *Lezma* is in some cases a tax on

palm trees and in others a graduated poll tax. In Tunis also the native taxes are still levied.

Of greater fiscal significance than the direct taxes are the indirect taxes. Here, as in France, the stamp duties play a great role. They are found everywhere except in St. Pierre, and include a large variety of transactions. A still greater revenue is afforded by the tax on spirituous liquors, which is levied in almost every colony. Tobacco is not a state monopoly as in France, but is subject to an excise duty in a number of the colonies. In addition to these imposts we find isolated taxes on oil, on fats, on matches and on playing cards. Indirect taxes on commodities that do not exist in France are the following: on salt fish in Guadaloupe, on native gold in Guinea, on India rubber in Senegal, on rice in Cochin-China, on petroleum in St. Pierre, on dynamite in Senegal. Opium forms a colonial monopoly in Cochin-China and in Oceanica, and is taxed in Guinea and New Caledonia. Salt is everywhere exempt from taxation except in French India where it forms a colonial monopoly.

Scarcely less important than the taxes on liquors and tobacco are the tariff duties. These are levied on both exports and imports, and, as has been stated above, are now fixed by the home government, not by the colonies themselves. The export duties are ordinarily confined to a few important articles. Thus in Martinique we find export duties on sugar and molasses, in Reunion on the so-called colonial goods (sugar, spices, etc.), in Cochin-China on rice, in Oceanica on mother-of-pearl. The import duties are in general those of the French tariff itself with a few concessions in the interests of the colonies. In several cases particular commodities are absolutely prohibited in order to protect colonial

products. This is true of sugar in Martinique and Indo-China, of rum and molasses in Reunion and of opium in Indo-China and Mayotte.

Although the home government is invested with the duty of fixing the tariff for all the colonies, the colonial councils have the right of pointing out to the home government the modifications which are desirable for each special colony. A few such changes have been made, chiefly in the direction of lower duties or complete exemption; but the deviations from the general French tariff are insignificant. There are only two colonies without tariff duties, namely, Obock and the towns of French India.

In addition to the general tariff duties, tonnage, navigation and harbor dues are to be found in almost every colony.

The purely local and municipal expenses are defrayed to a large extent by the *octroi de mer*. This is a tax on all kinds of commodities, especially articles of food coming in by water. It takes the place of the local octroi in the mother country. The *octroi de mer*, however, cannot be fixed independently by the colonies; they have indeed the right of formulating the tentative scheme, but their decision must obtain the approval of the Council of State in Paris not only as to the tax itself but also in respect to the methods of administration.

Of the remaining revenues, in addition to those derived from taxation and tariff duties, the third class comprises the income from colonial property. The most important element in this is the revenue from the postal and telegraph system, which is everywhere a government monopoly. The fourth and final category of colonial revenues is composed of the conventions or subsidies

from the home government which have been considered above.

## VII. *Conclusion.*

From this slight summary it will be seen that the French government wavers between two lines of policy. On the one hand the movement toward local autonomy has granted the colonies substantial rights of fixing their own sources of revenue and expenditure in accordance with the dictates of local expediency. On the other hand the movement toward centralization or so-called assimilation has taken away from the colonies the privilege of levying their own tariffs and has imposed upon many of the dependencies a system of taxation more suitable to the interests of the mother country than to those of the colonies themselves; has declared certain of the colonial expenditures obligatory; and finally has complicated the relations between the colonies and the home government by a series of subventions on the one hand and of contingents and contributions on the other. The most recent and enlightened colonial administrators themselves plead not only for a simplification of the relations between the colonies and the home government, but also for a larger share of independence and initiative on the part of the colonies themselves.

EDWIN R. A. SELIGMAN.

## TABLE A.

### Expenditures of France for the Colonies in 1898.

#### I.—EXPENSES OF SOVEREIGNTY AND SUBVENTIONS.

##### 1. DÉPENSES COMMUNES.

FRANCS.

Traitement du ministre et personnel de l'administration centrale .....	695,000
Matériel de l'administration centrale .....	137,000
Frais d'impression, publication de documents et abonnements .....	108,000
Frais de dépêches télégraphiques .....	102,000
Service central des marchés .....	120,000
Service administratif des colonies dans les ports de commerce de la métropole .....	162,500
Inspection des colonies .....	311,000
Secours et subventions .....	44,500
Subventions à diverses compagnies pour les câbles sous-marins .....	707,500

##### 2. DÉPENSES CIVILES.

Personnel des services civils .....	489,561
Personnel de la justice .....	1,470,000
Personnel des cultes .....	602,000
Service des travaux publics .....	53,000
Matériel des services civils .....	17,100
Frais de voyage par terre et par mer et dépenses accessoires .....	325,000
Exposition permanente des colonies et renseignements commerciaux. Service géographique .....	43,400
Participation à l'Exposition universelle de 1900 .....	2,000
Missions dans les colonies .....	210,000
Bourses coloniales .....	28,000
Études coloniales .....	10,000
Émigration de travailleurs aux colonies .....	75,000
Quatrième des quatorze annuités à payer à des exploitations agricoles pour la mise en valeur d'établissements français .....	360,000
Subvention au budget local du Congo français .....	2,353,000
Subvention au budget local de Madagascar .....	1,800,000
Subvention au service local de certaines colonies .....	765,307
Subvention au budget annexe du chemin de fer et du port de la Réunion .....	2,508,500
Subvention au budget annexe du chemin de fer du Soudan français .....	768,000
Chemin de fer de Dakar à St.-Louis .....	1,270,000



## 3. DÉPENSES MILITAIRES.

Troupes aux colonies et comité technique .....	5,799,372
Gendarmerie coloniale .....	1,630,000
Commissariat colonial .....	871,500
Inscription maritime .....	60,000
Comptables coloniaux .....	346,000
Service de santé (personnelle) .....	1,092,000
Service de santé (matériel) .....	1,474,000
Vivres et fourrages .....	3,310,000
Frais de voyage par terre et par mer et dépenses accessoires .....	1,400,000
Matériel de casernement, de campement et de couchage .....	274,000
Matériel des services militaires .....	1,444,000
Défense des colonies .....	1,200,000
Frais d'occupation du Soudan français .....	6,180,000
Route de Konakry au Niger .....	100,000
Dépenses des services militaires et maritimes en Annam et au Tonkin .....	23,250,000
Dépenses militaires à Madagascar .....	18,276,000

## 4. SERVICE PÉNITENTIAIRE.

Administration pénitentiaire (personnelle) .....	2,649,500
Administration pénitentiaire (hôpitaux, vivres, habillement et couchage) .....	4,129,900
Administration pénitentiaire (frais de transport) .....	1,170,000
Administration pénitentiaire (matériel) .....	1,439,900
Dépenses des exercices périmés non frappés de déchéance .....	Mémoire
Dépenses des exercices clos .....	Mémoire
Rappels de dépenses payables sur revues antérieures à 1898 .....	Mémoire
Total .....	91,633,530

## II.—SHIPPING AND CABLE SUBSIDIES.

	FRANCS.
Subvention au service maritime de New-York et des Antilles, primes de vitesse .....	11,258,000
Subvention au service maritime de l'Indo-Chine et du Japon .....	6,083,688
Subvention au service maritime de l'Australie et de la Nouvelle-Calédonie .....	3,108,936
Subvention au service maritime de la côte orientale d'Afrique .....	1,925,640
Subvention au service maritime de la côte occidentale d'Afrique .....	500,000
Subvention à la compagnie concessionnaire du câble reliant à St.-Louis du Sénégal les possessions de Rio-Nunez, Grand Bassam, Porto-Novo et le Gabon .....	300,000
Subvention à la compagnie concessionnaire du câble reliant la France à l'Amérique et aux Antilles .....	400,000
Total .....	23,576,264

**TABLE B.**

THE COLONIAL CONTRIBUTION IN 1898.

	FRANCS.
Cochin-Chine .....	4,442
Annam-Tonkin .....	109,000
Martinique .....	65,032
Guadeloupe .....	71,060
Réunion .....	67,076
Guyane .....	32,435
Sénégal .....	16,805
Soudan .....	3,000
Guinée .....	3,600
Côte d'Ivoire .....	3,600
Dahomey .....	3,600
Congo .....	4,530
Madagascar .....	9,570
St.-Pierre et Miquelon .....	7,992
Mayotte .....	2,410
Comores .....	2,410
Taïti .....	11,821
Nouvelle Calédonie .....	33,619
Inde .....	25,780
Côte de Somalis .....	300
Cambodge .....	2,000
Total .....	469,472

**TABLE C.**

COLONIAL RECEIPTS.

(Forming a part of the French Budget in 1898.)

	FRANCS.
Contingents et contributions .....	5,838,972
Rente de l'Inde .....	668,800
Retenues pour pensions civiles .....	859,400
Recettes diverses .....	966,400
Total .....	8,333,572

TABLE D.—COLONIAL REVENUES IN 1898.<sup>1</sup>

IN THOUSANDS OF FRANCS.																								
	Land Tax.	House Tax.	Poll Tax.	Business Tax.	Carriage Tax.	Dog Tax.	Boat Tax.	Total Direct Taxes.	Export Duties.	Import Duties.	Tonnage and Navigation Duties.	Liquor Tax.	Tobacco Tax.	Opium Tax.	Rice Tax.	Oil Tax.	Match Tax.	Taxes on Other Commodities.	Licenses.	Stamp Taxes.	Octroi de Mer.	Total Indirect Taxes.	Post and Telegraph.	Total.
Martinique	734	30	395						555	810	144	1,370							621	880	214		118	5,354
Guadeloupe		259	230						555	550	63	2,232							297	640	110		100	5,552
Guiana		36	60						354	276	48	260	48		30					280			30	1,894
St. Pierre et Miquelon			21							230	60												18	435
Senegal		50	15	180					140	2,040	48	800								119			183	3,958
Guinea									320		12	200								6			4	547
Congo								68		225														
Reunion		75	220	243	34				294	18	40	1,950	120							638	60		125	2,680
Mayotte	62		60	22						21	9	18								22				257
Nossi-Bé	16		20	40		1					14	12		3						4				207
Madagascar																								9,437
French India								358			39									142			10	1,835
Cochin-China (piastres)	830		688	169			76		1,660	1,484		30		3,196	636					90			85	10,200
Cambodia (piastres)	120	14	334		1							127											7	1,413
Annam-Tonkin (piastres)	6,241 <sup>2</sup>		10				11		373	810	177	362	60							95			92	6,400
Oceanica			147	81		22				260		53		50					28	100			31	1,256
New Caledonia (1893)	105			140								510	212							131			70	3,062

<sup>1</sup> The table is not found in any printed document or book. It has been compiled and arranged from the separate colonial budgets. Some minor details including the subventions (some of which will be found in Table A) have been omitted, so that the figures in the last column will not always tally with the addition of those in the preceding columns.

<sup>2</sup> Native taxes.

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## THE GERMAN COLONIAL FISCAL SYSTEM.

### I. BRIEF SKETCH OF HISTORY OF RELATION OF DEPENDENCY TO MOTHER COUNTRY.

#### a. Acquisition of the Colonies.

The German colonies are of comparatively recent origin. Until the last quarter of the present century the Germans were not in a position to pursue a colonial policy. Lack of internal unity was a bar to the realization of this as well as of other international movements. A beginning had been made by the Great Elector who sought to have Brandenburg share in the great colonial movement of the 17th Century. The storms of European politics in which the electors and later the kings were involved, rendered them incapable of competing with the other states that were engaged in colonial enterprises. Frederick William I, accordingly, disposed of the settlements that had been made and Prussia temporarily abandoned her colonial policy.

The political unification of the German nation under the leadership of Prussia led to a revival of German interest in colonial movements. German trading companies had acquired interests and developed commercial relations in Africa and the islands of the Southern Pacific. German missionaries had also commenced their activity. These individuals and associations desired to make their positions more secure by bringing their privileges under the protection of the mother country.

The action of the German government was hastened by the fact that the African continent was being taken pos-



session of by the other European powers. Germany took an active part in bringing about the Berlin Conference of 1884 which resulted in the Congo Act of 1885. This act established the principle of freedom of trade in the valley of the Congo, and defined the conditions which must exist in order to render valid the future seizures of unoccupied territory in Africa.

A negative policy was not sufficient. An active propaganda in favor of the acquisition of colonies was being carried on by individuals and associations in Germany.<sup>1</sup> Before the meeting of the Berlin Conference the German government had commenced to acquire colonies by taking possession of districts through its officials or by granting the protection of the Empire to individuals or associations that had acquired interests in certain territory. By the close of 1885 the following districts had been acquired: Togo, Cameroon, German South-west Africa, German East Africa, Kaiser Wilhelms-Land (New Guinea),<sup>2</sup> Bismarck Archipelago and the Marshall Islands, including the Brown and Providence Islands.<sup>3</sup> In November, 1897, the German Admiral von Diedrichs took possession of Kiauchou Bay in the Chinese prov-

<sup>1</sup> Der deutsche Kolonialverein was founded in 1882; Der Gesellschaft für deutsche Kolonization in 1884. These associations united in 1887 as the Deutsche Kolonialgesellschaft. This association, which has branches in a large number of German cities, is one of a number of organizations that are engaged in the work of disseminating information respecting the German colonies and of promoting colonial undertakings. The writer is indebted to the Secretary, Herr A. Seidel and the Librarian, Herr M. Brose, for the privilege of consulting the association's extensive library of colonial literature.

<sup>2</sup> In 1886 the Northern Solomon Islands were added to the district governed by the New Guinea Company. The newspapers announce [Nov., 1899] that an agreement has been made between England and Germany, subject to the approval of the United States, which will result in the cession of two of these islands to England and the acquisition by Germany of two of the largest of the Samoa Islands.

<sup>3</sup> Nauru Island was added to this district in 1888.

ince of Shantung. In the resulting treaty of March 6, 1898, China ceded to Germany for a period of 99 years the exercise of all rights of sovereignty in the treaty district. In February of the present year [1899] an agreement was made with Spain for the purchase of the remaining Spanish islands in the Pacific. By the treaty of June 30, 1899, Spain ceded to the German Empire the complete sovereignty over the Caroline Islands and the Palau and Marianne Islands.

b. Determination of the Relation of Dependency to Mother Country.

The inauguration of a German colonial policy had not been unattended with opposition. In pamphlets and in the press the dangers attendant upon such a course were pointed out. It was maintained that conflicts of interests with foreign powers would lead to serious results. Particular emphasis was placed upon the cost of colonial undertakings, and the resulting burden upon the home taxpayer. In the Diet this opposition found considerable support. The government, accordingly, adopted a conservative policy. Indeed, it appears that in the beginning nothing more was contemplated than the establishment of a protectorate over the persons and property of German citizens in the respective districts. In the negotiations with other states for a determination of jurisdictions, the German government found it necessary to take a more advanced position and announced that its authority in the districts over which it had extended its protection was of a territorial character, applying to all persons within the limits of such territory.<sup>3</sup> The practical significance of this declaration, when taken in connection with the character of the acts of acquisition, was the extension of the sovereignty of

<sup>3</sup> Stengel, pp. 47, 103.

the Empire over the newly acquired districts. This has been the theory upon which the German government has acted. The form in which such sovereignty should be exercised was yet to be determined.

## II. SKETCH OF THE GOVERNMENT OF THE COLONIES.

### a. General Principles of Organization.

It was not the purpose of the imperial government to take over the immediate administration of the colonies. In some of the districts private corporations had concluded agreements with the native rulers by virtue of which the latter ceded rights of jurisdiction as well as economic privileges. The policy of the German government was to avoid the development of an expensive machinery of colonial administration by placing the rights and obligations of government in the hands of trading companies which had acquired economic privileges in the territory. This policy was carried out in German East Africa, and in a district including Kaiser Wilhelms-Land, Bismarck Archipelago, and the Solomon Islands. In each district a charter (*Schutzbrief*) was given to a colonial company, granting or confirming its right to extensive economic privileges and to the exercise of governmental powers within such district. In the Marshall Islands a similar principle was followed, but in this case the administration was to be conducted by imperial officials, the costs of such administration being borne by the company (*Jaluitgesellschaft*).

The government was unable to extend this program to other districts. The companies which were engaged in undertakings in the other colonies were not organized for the exercise of such functions, and were unwilling to assume such grants of power with the resulting obligations. The companies which had received the char-

ters had not solicited the grant of governmental functions and were anxious to be relieved therefrom.<sup>1</sup> In 1890, the German East African Company concluded an agreement with the imperial government, by virtue of which it renounced all of its governmental rights.<sup>2</sup> Attempts to bring about the same result in the territory governed by the New Guinea Company had failed. The Diet was unwilling to assume the expenses of government while the Company retained its extensive economic privileges.<sup>3</sup> Recently, however, a satisfactory agreement was concluded, and on April 1, 1899, the government of the district was taken over by the imperial authorities.<sup>4</sup> Thus all of the colonies became subject to the immediate control of the German government.

It was apparent from the outset that the imperial legislature must determine the general principles of colonial organization. All of the colonies had been brought under the sovereignty of the German Empire by the act of the Emperor, who exercised this function by virtue of the right granted him by the constitution, of representing the Empire in international relations. This extension of sovereignty had been accomplished either by the occupation of territory which, in the sense of international law, was not subject to any political authority, as in the case of most of the possessions in Africa, or else by virtue of treaty cessions from the former sovereign of the territory, as in the case of the recent acquisitions from Spain. Uncertainty existed, however, with respect to the exercise of such sovereignty over the colonies. The executive might be able to extend the territory of the Empire but it did not follow that he could exercise un-

<sup>1</sup> Entwurf, 1899, Beilage, C., p. 68.

<sup>2</sup> *Kol.-Bl.*, 1890, p. 301, sqq.

<sup>3</sup> Entwurf, 1899, Beilage, C., p. 67.

<sup>4</sup> *Kol.-Bl.*, 1899, pp. 227, 228.

restricted jurisdiction over such district. In any event, so far as an appropriation of public funds was needed for carrying on the administration of the territory it was essential to have the coöperation of the Federal Council and the Diet. This necessity existed from the beginning. The draft imperial budget for the fiscal year 1885-86 contained an appropriation for the administration of the colonies. This at once precipitated the question of the government of the colonies. A part of the proposed sum was granted but it was ordered that a specific account of the expenditure should be made to the Diet and that certain information should be submitted before a permanent colonial organization was established.<sup>1</sup>

The question of the legal position of the colonies was brought before the legislature in 1886, and after careful consideration, the statute of April 17, 1886,<sup>2</sup> was enacted. This statute was amended in 1887<sup>3</sup> and 1888, and on March 19, 1888,<sup>4</sup> the original statute as amended was published by the Chancellor. This forms the organic law for the German colonies.

The colonies were not brought into the federal union and hence the dual system of government, as defined in the German Constitution, does not obtain for these districts. They are subject to the control of the national Central Government. The Colonial Act authorizes the Emperor to exercise, in the name of the Empire, the general powers of government in the colonies (§ 1). In accordance with the original policy of the government,

<sup>1</sup> Meyer, "Die staatsrechtliche Stellung der deutschen Schutzgebiete," p. 42.

<sup>2</sup> Gesetz betr. die Rechtsverhältnisse der deutschen Schutzgebiete, *R. G. Bl.*, p. 75.

<sup>3</sup> *R. G. Bl.*, p. 307.

<sup>4</sup> *R. G. Bl.*, p. 75, sqq.



the statute speaks of protectorates (Schutzgebiete) and the protecting power (Schutzgewalt) instead of colonies and the governing power, but the distinction is one of phraseology alone.

The Emperor's general powers are limited by the provision (§ 2) that in the colonies the civil and criminal law and procedure and the judicial organization shall be determined in accordance with the provisions of the statute of July 10, 1879,<sup>1</sup> regulating consular jurisdiction. This statute regulates the law and procedure which shall obtain in those countries where the German consul has been authorized to exercise jurisdiction. In general, private rights are determined according to the provisions of the Prussian Landrecht while crimes are subject to the provisions of the imperial statutes. In procedure the statutes of the Empire obtain, subject to certain modifications. For the judicial organization, particular provisions were necessarily adopted. In general, these vest judicial authority in the consul and in two assessors, or, in some cases, in four. The Colonial Act provides that, in the colonies, officials authorized by the Chancellor shall take the place of the consul and the consular court.

These general limitations upon the Emperor's powers of colonial government are in their turn subject to exceptions. The Emperor, by ordinance, may modify these provisions with respect to certain matters (§ 3). Under the original statute of 1886 this ordinance power was quite limited, and the necessity for extending it was the chief reason for the amendments of 1887 and 1888. In its present form, the statute authorizes the Emperor to provide particular rules respecting rights in immovables, including property in mines. He is empowered to

<sup>1</sup> *R. G. Bl.*, p. 197, sqq.

introduce certain modifications of the law of civil and criminal procedure and to establish limited penalties for acts which are not regulated by the criminal code of Germany. He is, moreover, authorized to extend the jurisdiction to other persons than those provided in the act regulating consular jurisdiction.

Other provisions of the Colonial Act of 1888 determine questions arising from the peculiar position of the colonies as neither foreign country nor members of the federal union. For certain purposes the colonies are regarded as foreign country and the imperial statutes regulating the rights of German citizens residing in foreign countries are made to apply, with the general proviso that the Emperor may extend the operation of these statutes to other persons than German citizens (§ 4). The natives are not regarded as German citizens, but they, as well as foreigners settled in the colony, may acquire such citizenship by naturalization in accordance with the general principles of the imperial constitution and statutes (§ 6). On the other hand, the colonies are regarded as inland territory so far as affects the application of the statute of May 13, 1870,<sup>1</sup> respecting the adjustment of double taxation; and the Emperor, by ordinance, may give the natives the same rights as German citizens with respect to the privilege of carrying the German flag on merchant ships (§§ 6, 7).<sup>2</sup>

The concluding section of the Colonial Act authorizes the Chancellor to issue the ordinances necessary for the execution of its provisions. He may enact police and other administrative measures and provide limited pen-

<sup>1</sup> *B. G. Bl.*, p. 119.

<sup>2</sup> §§ 8-10 of the Colonial Statute provide particular regulations for the organization of German colonial companies. After the Chancellor has approved the articles of association corporate power may be decreed by the Federal Council. Such companies remain subject to the supervision of the Chancellor.

alties for their violation. The Chancellor may delegate these powers to colonial officials as well as to colonial companies that have an imperial charter.

While the Colonial Act gives the Emperor general powers of government in the colonies, it clearly recognizes that such colonies are subjected to the sovereignty of the German Empire. Hence, the imperial legislature may amend the Colonial Act, or may establish particular regulations for the government of the colonies. Ordinances of the Emperor will be repealed by a subsequent imperial statute, while on the other hand, the Emperor can not modify the provisions of a statute of the legislature. Thus, the general position of the colonies, excepting those whose administrative expenses are sustained by a colonial company, has been affected by a statute of March 30, 1892.<sup>1</sup> This act limits the Emperor's powers by placing the budget and debt contracting capacity of the colonies under the control of the imperial legislature.<sup>2</sup> The general principles determining the organization of the colonial military forces have also been established by statute.<sup>3</sup>

It should finally be noted that the provisions of the Congo Act respecting trade regulations, slave trade, religious freedom, etc., are binding upon those parts of the German colonies which are within the conventional Congo district. Moreover, treaties with foreign states restrict the power of imposing custom duties, etc.<sup>4</sup>

<sup>1</sup> Gesetz über die Einnahmen und Ausgaben der Schutzgebiete, *R. G. Bl.*, p. 369.

<sup>2</sup> See post, "Budget" and "Debt." Pp. 68-71.

<sup>3</sup> Gesetz betr. die Kaiserlichen Schutztruppen in den afrikanischen Schutzgebieten und die Wehrpflicht daselbst, *R. G. Bl.*, 1896, pp. 187 sqq., 653 sqq.

<sup>4</sup> The text of the Congo Act and of other international agreements affecting the German colonies appear in "Kol. G. G." under title "Internationale Vereinbarungen."

### b. Administrative Organization.

The Imperial Chancellor, as the personal and responsible representative of the Emperor, stands at the head of the colonial administration. The entire administrative organization for the colonies has been created by ordinances of the Emperor, the Chancellor, and the colonial officials. The Colonial Department, consisting of a Director and a number of Councillors and Assistants, has supervision and control of the entire colonial administration.<sup>1</sup> It is a division of the Foreign Office, but is immediately responsible to the Chancellor in all matters affecting the internal administration of the colonies.<sup>2</sup> In matters affecting foreign relations the department is subject to the Foreign Office. There also exists a Colonial Council, the members of which are appointed by the Chancellor from those who are exceptionally qualified for the consideration of colonial matters. The Colonial Council considers measures affecting the administration of the colonies and gives opinions upon questions and policies that are submitted to it.<sup>3</sup> It passes upon the draft budget of the colonies.

The administrative organization in the individual colonies varies with the development of the colony. In each of the colonies a Governor is placed at the head of the administration.<sup>4</sup> The governor is provided with officials for the judicial, financial and general administration. A colonial military force exists in nearly all of

<sup>1</sup> The new colony of Kiauchou is administered by the Chancellor through the Ministry of Naval Affairs. *R. G. Bl.*, 1898, p. 173.

<sup>2</sup> *Kol.-Bl.*, 1890, p. 119; *Ibid.*, 1894, p. 647.

<sup>3</sup> "Kol. G. G." I., pp. 3-6; *Ibid.*, II., pp. 155, 158; *Kol.-Bl.*, 1895, pp. 221, 265.

<sup>4</sup> In the Marshall Islands, the chief official is a Governor General. The title of the chief executive in the colonies has passed through the three stages of 'Kommissar,' 'Landeshauptmann,' and 'Gouverneur.' Cf. "Kol. G. G." II., p. 57.

the colonies. Where the colony has been divided into districts, an official is placed at the head of the local administration, and the same is true of the municipal organizations.

The governor in each of the colonies, and in German East Africa the chief justice and the chief of the financial administration, receives an imperial commission. The other officials are commissioned by the Chancellor in the name of the Emperor. The Chancellor may delegate this function to the governor so far as it applies to subordinate officials.<sup>1</sup> Natives assist in the local administration, and a large item in each budget is for the payment of the services of colored employees.<sup>2</sup>

No particular provisions exist respecting the training or preparation of colonial officials. The policy of the administration has been to take officials from the home departments, which ensures the necessary technical training.<sup>3</sup> For colonial officials this is not sufficient. It is in the highest degree essential that they should possess a knowledge of the language and characteristics of the natives with whom they will have to do. A knowledge of the special geographical features, including climatic conditions, will materially promote their capacity for successful administration. While the government has not adopted compulsory provisions, it has provided ample means to enable persons to acquire such information and preparation. The Oriental Seminar, which was established by the Prussian government in 1887 and is connected with the University in Berlin, offers exceptional facilities for instruction in the languages of oriental nations and the native languages of the German

<sup>1</sup> "Kol. G. G." II., p. 265 sqq. ; *R. G. Bl.*, 1896, p. 691, sqq.

<sup>2</sup> Cf. "Selbstverwaltung in den Schutzgebieten" in *Kol. Z.*, Oct. 19, 1899, p. 397.

<sup>3</sup> Entwurf, 1899, Beilage A., p. 63.



Colonies.<sup>1</sup> In the Winter-Semester, 1899-1900, sixty-one courses are offered, embracing fifteen languages. Instruction is also given in tropical hygiene, geography of the African colonies and economic botany of the tropics. Persons preparing for the colonial service have taken advantage of these opportunities, and it may be expected that, in the course of time, colonial officials will be required to have such preparation.

The German government recognizes the importance of securing able men for the colonial service and provides special rewards for such service. The statutes regulating the relations of imperial officials, including the rights to pensions and the provision for survivors, have been made to apply to officials drawing their salaries from colonial sources so that they shall have the same rights against the colony as imperial officials have against the Empire.<sup>2</sup> Moreover, the principle that is applied to consular officials in tropical countries has been followed. A relatively larger salary is attached to the office and in estimating the time required for the establishment of the right to a pension, the length of service rendered in a colony will be doubled.<sup>3</sup> An official who is incapable of further service in the tropics does not receive his pension if he is capable of rendering service in the home departments, and is offered a position with an income equal in value to the pension to which he would be entitled.<sup>2</sup> Provision is made for the granting of leave of absence with travelling expenses and a certain proportion or all of the salary.<sup>2</sup>

These provisions have recently received a substantial addition in the interest of the colonial officials. In a

<sup>1</sup> Beneke, "Die Ausbildung der Kolonialbeamten," p. 70, sqq.

<sup>2</sup> "Kol. G. G." II., p. 265, sqq.; *R. G. Bl.*, 1896, p. 691, sqq.

<sup>3</sup> *Ibid*; Cf. act of May 31, 1887, *R. G. Bl.*, p. 211; "Kol. G. G." I., p. 9.

memorial attached as an appendix to the draft colonial budget for 1899, attention was called to the desirability of placing the colonial officials in a better position with respect to their maintenance and the privileges of their survivors.<sup>1</sup> It was maintained that where the hardships and deprivations of tropical service had rendered one incapable of further service in the colonies, he should be entitled to an increase of the ordinary pension accruing to the retired official. The impairment of his constitution would necessarily lead to greater expenditures than an official retired in regular course would be called upon to sustain, and this was equally true if he returned to active service in the home administration. It was proposed to make the increase of pension operate as an incentive to longer service in the colony. The official must have served six years before he can claim the increase and an extra amount is granted for each additional year of service up to and including the tenth year. The memorial proposed certain assistance for the survivors of officials who have died in service or in consequence of the effects of the climate and within six years after leaving the colonial service. These benefits were limited to officials whose salaries were fixed in the colonial budget, and the proposal came before the imperial legislature in the form of additions to the expenditures of the respective colonies for the fiscal year 1899. These additions were allowed by the legislature. The provisions have not been formulated in statute and the officials do not acquire a legal claim to such privileges.

c. General Administration.

The judicial administration as well as the systems of civil and criminal law have been determined by the imperial legislature. The Emperor has exercised his

<sup>1</sup> Entwurf, 1899, Beilage A., p. 63.

power of modifying these regulations, in particular with reference to the law regulating rights in immovables.<sup>1</sup>

The ordinances affecting the internal administration of the colony are in general issued by the governor of the colony, though subordinate officials have the right to issue police regulations. This ordinance power has been utilized by the governors in matters affecting the public peace, health and the economic development of the colonies. The imperial coins have been made legal tender in most of the colonies.<sup>2</sup> The use and acquisition of public or unoccupied lands, mines, forests, etc., and the carrying on of certain occupations, trades and industries are subject to particular regulations.<sup>3</sup>

Of particular interest have been the ordinances affecting the native population.<sup>4</sup> In some cases, where agreements were made with native chiefs, the jurisdiction over the natives was reserved to such leaders. Even where this is not the case the policy of the government has been to respect the customs of the natives and to subject them very gradually to the operation of the laws regulating the legal relations of the white population. Native chiefs are utilized in the administration of affairs affecting the natives. Moreover the government has recognized the obligation of protecting the natives in their dealings with the more intelligent and the less scrupulous white persons. Considerations of public safety as well as the interests of the natives have led to

<sup>1</sup> Stengel, p. 218, sqq.

<sup>2</sup> The German East African Company retains the right of issuing small coins, which are legal tender within a certain district of German East Africa. *Kol.-Bl.*, 1890, p. 301.

<sup>3</sup> For an account of such ordinances see Stengel, p. 253, sqq.; for text see "Kol. G. G." under title "Allgemeine Verwaltung."

<sup>4</sup> Stengel, p. 278, sqq.; "Kol. G. G." under title "Rechtsverhältnisse der Eingeborenen."

the prohibition or regulation of the sale of intoxicating liquors or of fire arms to the natives. Particular rules are provided for the determination of contracts of sale, debt, pledge, etc., when a native is the party bound by the contract. Contracts for the employment of the natives and for their transportation out of the colony are subject to governmental approval and the latter are generally forbidden. Slave trading is prohibited. Slavery and polygamy are tolerated where the government has undertaken to respect the customs of the natives, but the tendency is to eliminate both of these institutions.

#### d. Financial Administration.

Originally the executive's general power of determining the financial administration was limited only by the provisions of international agreements and by the necessity of including annually in the imperial budget a sum sufficient to defray the deficit which arose from the colonial administration. In 1892, however, the determination of the colonial budget and the contracting of debts for the colonial administration were placed under the control of the imperial legislature. Notwithstanding these limitations the executive retains extensive powers in the field of financial administration. He is unable to make expenditures that have been disapproved by the legislative bodies, but in the levying and collecting of taxes he is not subjected to legislative control. Moreover, the legislature does not generally revise the expenditures as determined by the executive but confines itself to striking out particular expenditures.

### III. REVENUE.

#### a. The Determination of the Revenue.

As previously indicated, the determination of the revenue so far as it arises from colonial sources, exclud-

ing loans, is within the control of the Emperor. It is, of course, possible for the imperial legislature to establish in the colonial budget a different income from that estimated, but this would take the form of the determination of a lump sum from a general source rather than the establishment or modification of a particular source of income. So long as the executive has the general power of colonial taxation, it is improbable that the legislature will undertake to determine the character or amount of the income.

The inhabitants of the colony have no voice in the determination of the source or amount of the revenue. The governor determines such matters subject to the power of the home authorities to overrule or modify his acts.

b. Discrimination in Favor of Mother Country.

No disposition is manifested to accord the citizens of the mother country any privileges in connection with the revenue system. So far as the Congo Act applies, such privileges would be subject to limitation. In certain colonies the citizens of foreign states have by treaty the right to the enjoyment of the same privileges as are accorded to German citizens. As has been indicated, certain colonial companies were granted extensive economic privileges as a return for the assumption of the costs and burdens of administration as well as the exploration and development of the colony. In so far as these privileges still exist they are limited to the right to take possession of unoccupied land, to mining and fishing privileges, etc.<sup>1</sup>

The customs regulations in general provide for

<sup>1</sup> The German East African Company retains rights of coinage, the privilege of establishing a bank, and the prior right to take over concessions for the building and operation of railroads within a certain district.



exemption from the payment of dues on articles belonging to the imperial government or necessary for the army or navy as well as the personal effects of the officers of the colonial troops and the officials of the civil administration.<sup>1</sup> In German East Africa the coins issued by the German East African Company are also exempt from duty.

c. Sources of Revenue.

The colonial revenue may be divided into two classes according to the sources from which it is derived: (1) Revenue derived from Colonial Sources; (2) Subventions from the Mother Country.

1. Revenue derived from Colonial Sources.

Colonial sources of revenue may be classified: (a) Taxation; (b) Fees; (c) Public Property.

(a) Taxation. (1) Direct Taxes.

Direct taxes have not constituted an important source of income, but there is a tendency to extend this species of taxation. The business or occupation tax was introduced at an early date in some of the colonies and has been gradually extended with the progress of economic development until it exists in nearly all of them. In Togo the tax is limited to trading firms. Firms engaged in both export and import trade pay 800 M annually; if they confine their activity to one of these branches the rate is 400 M; all others pay 100 M.<sup>2</sup> In South-West Africa the tax is confined to itinerant traders, and is graded according to the means of transportation utilized by the trader. The charge for a year's license is 30 M where no vehicle is used; 70 M where a cart is used; 140 M where a wagon is used.<sup>3</sup>

<sup>1</sup> Cf. import and export duties in "Kol. H. A. B.," 1899, pp. 74-80.

<sup>2</sup> *Kol.-Bl.*, 1899, p. 62.

<sup>3</sup> *Kol.-Bl.*, 1895, p. 458.

In the Marshall Islands trading firms are divided into two classes according to the amount of business transacted. The classes pay an annual tax of 6000 M and 15,000 M respectively. Taxes are also imposed upon saloons, 800 M annually; trading vessels of firms not located in colony, for each trip 1000 M; trading stations, 100-200 M annually.<sup>1</sup> In New Guinea and German East Africa the tax is a general business and occupation tax. Trades and occupations are divided into classes according to their character, the amount of capital employed, the income derived, etc. In New Guinea the annual tax varies from 40 M for the lowest class to 600 M for the highest class.<sup>2</sup> In German East Africa it ranges from 6 R to 360 R.<sup>3</sup>

The New Guinea Company introduced an income tax in connection with the occupation tax. Officials, merchants, managers and overseers of plantations, clerks, and craftsmen possessing an annual income from salary, profits or maintenance exceeding 1000 M are subject to an annual tax of 6 M, and on the excess in income over 1500 M to a tax of 2 per cent.<sup>3</sup>

A poll tax was introduced in the Marshall Islands at the same time that the business tax was established. Male residents, above the age of sixteen years, excluding natives, are subject to an annual tax of 20 M. The natives are subjected to an annual payment of 360,000 pounds of copra. The colony is divided into a number of districts and the tax is apportioned among these districts.<sup>4</sup>

<sup>1</sup> *Kol.-Bl.*, 1895, p. 569; "Kol. G.G.," II., p. 188.

<sup>2</sup> "Kol. G. G.," I., p. 530.

<sup>3</sup> *Kol.-Bl.*, 1899, p. 430; Cf. *Kol.-Bl.*, 1897, p. 123.

<sup>4</sup> "Kol. G. G.," I., pp. 620-621. The ordinance was recently amended so as to tax cocoanut groves when not possessed by natives. *Kol.-Bl.*, 1898, pp. 739, 740.

In German East Africa the greatest progress seems to have been made in accustoming the natives to European institutions. An inheritance tax is imposed upon the successions of natives. The rate is 2 per cent. if heirs of the first class (near relatives) succeed and 5 per cent. in other cases. Provision is made for the administration of the succession by the local administrative official in case such administration is demanded by an heir or a creditor. In such case, in lieu of the inheritance tax, 5 per cent. of the gross value of the estate, before deduction of debts, is taken.<sup>1</sup>

The house tax has also been recently introduced in German East Africa.<sup>2</sup> For the purposes of the tax houses are divided into two general classes:

I. Houses built according to European, Hindoo or Arabian models;

II. Houses and huts built according to native custom.

Each of these classes is subdivided into (a) Urban houses and (b) Houses in country.

The annual tax rate is as follows:

Class I. (a). 5 per cent. of the rental value, not to exceed 100 R.

Class I. (b). 3 grades. 10 R, 20 R, 30 R.

Class II. (a). 2 grades. 6 R, 12 R.

Class II. (b). 3 R.

An interesting feature of the tax is that in Class II payment of the taxes may be made 'in natura'. As such are recognized the fruit of certain nut-bearing trees and labor. In the interior grain furnished the overland caravans may also be rendered in payment of the tax.

<sup>1</sup> *Kol.-Bl.*, 1894, p. 41; "Kol. G. G.," II., pp. 46, 47.

<sup>2</sup> *Kol.-Bl.*, 1898, pp. 50, 51; "Kol. G. G.," II., pp. 368, 369. A local house tax had existed for some time in the coast district of the colony. This was abrogated and these local districts were given fifty per cent. of the proceeds of the new tax.

When labor is offered it is to be used in the first place for the improvement of the roads within the district where the party resides. The local administrative authorities fix the value of the labor and natural products. Measures are provided for the enforcement of the tax and, for this purpose, forced labor is permitted. The tax went into operation April 1, 1898, and the governor reported that no opposition to its enforcement was encountered.<sup>1</sup> According to the report, the natives residing in the coast districts appreciate the benefits of an orderly administration, while the interior natives pay the tax without having any appreciation of its basis or purpose. The proceeds of the tax exceeded anticipations. From April 1, 1898, to January 10, 1899, the collections were as follows:<sup>2</sup> Cash payments, 214,995 R; natural products, 4,197 R; labor, 2,032 R. Total, 221,224 R. For the fiscal year 1898 it appears that the income from the tax amounted to 363,115 R, of which 95 per cent. was paid in money, 3 per cent. in natural products, and 2 per cent. in labor.<sup>3</sup>

In South-West Africa owners of vehicles are subject to an annual tax of 20-40 M for the benefit of road improvement.<sup>4</sup>

## (2) Indirect Taxes.

Customs form the chief source of revenue from taxation. In German East Africa, South-West Africa and New Guinea both export and import duties exist, while in Cameroon and Togo only the latter are imposed.<sup>5</sup> The rates are in general determined by revenue consid-

<sup>1</sup> "Jahresbericht," 1897-98.

<sup>2</sup> *Kol.-Bl.*, 1899, pp. 167-168.

<sup>3</sup> *Deutsch-Ostafrikanische Zeitung*, quoted in *Kol.-Bl.*, 1899, p. 659.

<sup>4</sup> "Kol. G. G.," II., pp. 205, 206. A dog tax of 10 M has recently been introduced; *Kol.-Bl.*, 1899, p. 507.

<sup>5</sup> For compilation of customs duties see "Kol. H. A. B.," 1899, pp. 4-80; "Kol. Kal.," 1899, pp. 235-245.

erations alone. The ad valorem duties range from  $1\frac{1}{2}$  to 20 per cent. Specific duties are used to some extent in all of the colonies and are the rule in New Guinea, where the duties are limited, applying only to imports of liquors and exports of copra.

In German East Africa an excise duty of  $1\frac{1}{2}$  per cent. is imposed upon commodities.<sup>1</sup> It is collected upon imports and exports in connection with the receipt of the customs duties. In addition, the manufacture of spirituous liquors is subject to governmental authorization, and an excise duty is imposed upon the same.<sup>2</sup> A license is generally required for the sale of intoxicating liquors and a charge is imposed upon the privilege of carrying on such business.<sup>3</sup>

(b) Fees.

Fees are collected for services rendered by the colonial officials in the civil and judicial administration, etc.

(c) Public Property.

The unoccupied land, in so far as private persons have not acquired rights to the same, belongs to the colony, and revenue may be derived from its use or alienation. Under this class of revenue may also be included the income derived from charges imposed upon the privilege of prospecting for minerals, fishing, hunting, etc.<sup>4</sup> The revenue derived from the above sources has not been of much importance up to the present time.

The administration of the government railroads and telegraph lines furnishes another source of revenue in

<sup>1</sup> "Kol. G. G." I., pp. 429, 430.

<sup>2</sup> 10 R per hectoliter, "Kol. G. G." II., p. 3; *Kol.-Bl.*, 1893, p. 103.

<sup>3</sup> 100 M annually in Cameroon (*Kol.-Bl.*, 1899, p. 727) and Togo ("Kol. G. G." II., pp. 127-128); 100-150 R annually in German East Africa (*Kol.-Bl.*, 1895, p. 203); 200-300 M in S-W. Africa and, if sales exceed 8000 liters, 200 M for each additional 8000 liter sale (*Kol.=Bl.*, 1895, p. 402).

<sup>4</sup> Cf. Stengel, pp. 263, 264.



German East Africa and South-West Africa. In the former colony the railroad has not been sufficiently extended for the income from its administration to figure in the budget, and in South-west Africa it appears for the first time in the budget for 1899. It will be some time before there is an excess of income over cost of operation of these railroads.

The supervision of the caravan trade in the interior, government wharves, docks, repair shops, etc., furnish income from the economic undertakings of the government.

## 2. Subventions from the Mother Country.

Grants from the home government have constituted an important source of revenue in all of the colonies except the Marshall Islands, where the annual deficits are defrayed by the Jaluitgesellschaft. In most of the colonies grants have been necessary from the beginning, and, as a rule, the amount increases annually. The increases are largely due to the expenditures for public works and productive enterprises. The following table shows, in thousands of marks, the amounts included in the budgets of the German Empire for the expenses of colonial administration for the respective years ;

	[ooo omitted.]			
	1896-97.	1897-98.	1898.	1899.
Permanent expenditures-----	230	261	290	299
Temporary expenditures-----	9,267	8,244	10,710	16,401
Kiauchou government -----	-----	-----	5,000	8,500
	9,497	8,505	16,030	25,200

The permanent expenditures are for the colonial department of the Foreign Office. The temporary expenditures are, for the most part, the annual subventions to meet the deficiencies in the revenues of the individual colonies. They also include annually the sum of 200,000 M for the 'Afrikafonds' established for aiding

scientific undertakings directed to the exploration of Central Africa and other countries.<sup>1</sup>

d. Statistics of Revenue.

The following tables taken from the colonial budgets as fixed by statue, exhibit the approximate revenues for the respective years :<sup>2</sup>

GERMAN EAST AFRICA.

	[000 omitted.]					
Source.	1894-95	1895-96	1896-97	1897-98	1898	1899
Direct taxes -----	-----	-----	-----	-----	100	350
Customs -----	1,750	1,750	1,350	1,400	1,625	1,750
Other Taxes, Fees and Administration Income -----	400	400	250	300	435	410
Imperial Subvention -----	3,370	3,687	4,301	4,339	3,805	5,985
Total -----	5,520	5,837	5,901	6,039	5,965	8,495

SOUTH-WEST AFRICA.

	[000 omitted.]					
Direct taxes -----	-----	-----	-----	-----	10	10
Customs -----	27	27	386	550	350	500
Other Taxes, Fees and Administration Income -----	-----	-----	-----	-----	40	40
R. R. Administration -----	-----	-----	-----	-----	-----	20
Imperial Subvention -----	1,000	1,700	4,087	3,015	4,601	6,609
Total -----	1,027	1,727	4,473	3,565	5,001	7,479

CAMEROON.

	[000 omitted.]					
Source.	1894-95	1895-96	1896-97	1897-98	1898	1899
Direct Taxes -----	-----	-----	-----	-----	28	28
Customs -----	565	565	590	500	460	600
Other Taxes, Fees and Administration Income -----	46	45	50	80	92	102
Imperial Subvention -----	-----	620	677	690	814	983
Total -----	610	1,230	1,319	1,270	1,394	1,713

<sup>1</sup> See "Jahresbericht," 1897-98, under title "Afrikafonds."

<sup>2</sup> All sums are expressed in thousands of marks.

## TOGO.

[ooo omitted.]

Direct Taxes.....	----	----	----	----	27	27
Customs.....	180	262	377	395	500	500
Other Taxes, Fees and Ad- ministration Income.....	6	3	3	5	23	23
Imperial Subvention .....	----	----	----	----	----	254
Total .....	186	265	380	400	550	804

## NEW GUINEA.

[ooo omitted.]

Direct Taxes, Customs, other Taxes, Fees and Administration Income.....	----	----	----	----	----	75
Imperial Subvention .....	----	----	----	----	----	657
Total .....						732

## KIAUCHOU.

[ooo omitted.]

Imperial Subvention .....	----	----	----	----	5,000	8,500
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## IV. EXPENDITURES.

## a. Determination of Expenditures.

The expenditures of the colonies are estimated annually in advance, and are determined in the colonial budget which is established by act of the imperial legislature. The latter, therefore, possesses the power of limiting or expanding the expenditures of a colony and of determining their character. As a matter of fact, however, the legislature confines itself to keeping the expenditures within a certain limit, which is generally determined by the consideration of the amount of the contribution from the imperial treasury which will be rendered necessary by such expenditures. In the draft colonial budget statements are made of the causes which justify a change from the budget of the preceding year.

The legislature has at times refused to allow the full amount of the estimated expenditures. In the budget

for the present fiscal year, however, the only change made in the draft budget was a reduction of 61,000 M in the amount of expenditures estimated for the colony of South-West Africa.

b. Extent to which Colony or Mother Country sustains Expenses of the other.

Thus far there is no question of the colony's sustaining any portion of the expenses of the mother country. It will be some time before the colonies are placed upon a self-supporting basis, and any surplus that may arise will be needed for the development of improvements within the colonies. No disposition appears to have been manifested to utilize the colonies as a present or future means of assisting in defraying the expenses of the home country.

On the other hand, as previously indicated, the home government has contributed liberally towards the support and improvement of the colonies. This does not appear to have been carried as a claim against the latter except in two or three instances in the case of the colony of Cameroon.<sup>1</sup> It must be noted, however, that the colonies are subject to the legislation of the Empire and, so far as colonial property is concerned, to the ordinance power of the Emperor.

c. Kinds of Expenditures.

1. Permanent Expenditures.

Under this class fall the costs of the civil and military administration and, in the case of German East Africa, of a flotilla. Particular features of interest are the items for extraordinary compensation to officials and soldiers, for pensions for retired officials and soldiers and their survivors, as well as for the increase of such pensions under certain circumstances.<sup>2</sup>

<sup>1</sup> See pp. 70-71.

<sup>2</sup> See pp. 51-52, 66.

A considerable sum appears under the head of miscellaneous expenditures. Government schools are maintained in most of the colonies. Missions and church congregations have received assistance from the government. The public highways are kept in repair. In German East Africa this burden is imposed upon the local districts, which receive for this purpose 50 per cent. of the proceeds from the house tax and 20 per cent. of that obtained from the occupation tax. Government hospitals exist in most, if not all, of the colonies. Sums are appropriated for investigations in the field of agriculture, botany and forestry, and the public land survey has been inaugurated. The maintenance of the public peace, which was at first the sole function of the government, constitutes an important item of expenditure. A police force exists and, in most of the colonies, colonial troops are maintained. In these forces and for the manual labor of the civil administration the natives are employed to a considerable extent.

The operation of the railroads in German East Africa and South-West Africa, constitutes another item of permanent expenditures, which it is expected will be offset by a corresponding income, and the same is true of government docks, wharves, etc. The exploration of the interior and the establishment of new stations furnishes a regular item of expenditure.

The liquidation of the debt is included as an item of expenditure in some of the colonies.

## 2. Temporary Expenditures.

In all the budget colonies there are annual expenditures for public works, including public buildings and roads. Appropriations have been made for government steam vessels, and stationary floating wharves have been



established or inaugurated in most of the colonies. A dock and ship repair-shop has been built on a small scale in Cameroon.

By far the largest items of temporary expenditures have been for the acquisition and building of railroads and telegraphs in German East Africa and South-West Africa.

Among other items of temporary expenditures in South-West Africa, are:<sup>1</sup> Agricultural experiment station and immigration bureau; advancement of horse and cattle breeding; lighting the coast of the colony; assistance of colonists and natives who suffered particularly from effects of rinderpest; and extra payments to officials and military on account of the high prices of commodities in the colony.

#### d. Statistics of Expenditures.

The following tables, taken from the colonial budgets as fixed by statute, exhibit the approximate expenditures for the respective years:<sup>2</sup>

#### GERMAN EAST AFRICA.

	[000 omitted.]					
	1894-95.	1895-96.	1896-97.	1897-98.	1898.	1899.
Salaries, pensions, etc., of Civil Administration.....	542	612	649	617	643	698
Salaries, pensions, etc., of Military Administration.....	1,975	1,934	2,835	1,707	1,686	1,710
Other Expen. of Civil and Military Administration.....	1,410	1,463	1,456	1,974	2,053	2,272
Flotilla .....	570	582	568	648	648	662
Expeditions and Int. Stations .....	305	350	300	----	----	----
Debt .....	600	600	600	600	600	600
Permanent Expenses.....	5,402	5,542	5,409	5,546	5,630	5,942

<sup>1</sup> The draft budget for the fiscal year 1899 proposed an expenditure of 25000 M to assist German unmarried women to emigrate and settle in the colony. The proposition was prompted by a desire to check the intermarriage of Germans and natives. The item was stricken out by the Diet.

<sup>2</sup> All sums are expressed in thousands of marks.

	1894-95.	1895-96.	1896-97.	1897-98.	1898.	1899.
Pub. Buildings and Roads_	100	280	276	280	250	240
Railroads_	-----	-----	-----	-----	72	2,000
Miscellaneous_	-----	-----	200	200	-----	300
Reserve for Unforeseen Ex.	17	15	16	13	13	13
<b>Total Expenditures---</b>	<b>5,520</b>	<b>5,837</b>	<b>5,901</b>	<b>6,039</b>	<b>5,965</b>	<b>8,495</b>

**SOUTH-WEST AFRICA.**

[ooo omitted.]

Salaries, pensions, etc., of Civil Administration_	-----	-----	41	62	68	165
Salaries, pensions, etc., of Military Administration_	-----	-----	1,121	991	1,064	1,159
Other Expen. of Civil and Military Administration_	947	1,598	2,453	2,063	2,107	2,494
R. R. Administration_	-----	-----	-----	-----	-----	20
<b>Permanent Expenses-----</b>	<b>947</b>	<b>1,598</b>	<b>3,615</b>	<b>3,116</b>	<b>3,239</b>	<b>3,838</b>
Pub. Buildings and Roads_	-----	-----	330	404	258	340
Railroads and Telegraph_	-----	-----	-----	-----	1,000	2,392
Miscellaneous_	50	100	366	-----	458	864
Reserve for Unforeseen Ex.	30	29	162	45	45	45
<b>Total Expenditures---</b>	<b>1,027</b>	<b>1,727</b>	<b>4,473</b>	<b>3,565</b>	<b>5,000</b>	<b>7,479</b>

**CAMEROON.**

[ooo omitted.]

	1894-95.	1895-96.	1896-97.	1897-98.	1898.	1899
Salaries, pensions, etc., of Civil Administration_	93	94	178	182	187	219
Salaries, pensions, etc., of Military Administration_	-----	-----	75	79	137	168
Other Expen. of Civil and Military Administration_	344	767	754	773	949	1,125
Debt_	91	91	91	91	-----	-----
<b>Permanent Expenses-----</b>	<b>528</b>	<b>952</b>	<b>1,097</b>	<b>1,125</b>	<b>1,273</b>	<b>1,512</b>
Pub. Buildings, Roads, etc.	60	275	200	125	100	140
Miscellaneous_	-----	-----	-----	-----	-----	40
Reserve for Unforeseen Ex.	22	3	21	20	21	21
<b>Total Expenditures---</b>	<b>610</b>	<b>1,230</b>	<b>1,319</b>	<b>1,270</b>	<b>1,394</b>	<b>1,713</b>

**Togo.**

[ooo omitted.]

Salaries, pensions, etc., of Civil Administration_	22	27	69	81	87	91
Salaries, pensions, etc., of Military Administration_	-----	-----	-----	18	30	46
Other Expen. of Civil and Military Administration_	118	188	240	234	323	527
<b>Permanent Expenses-----</b>	<b>140</b>	<b>215</b>	<b>309</b>	<b>333</b>	<b>440</b>	<b>664</b>
Pub. Buildings, Roads, etc.	35	35	55	55	95	95
Miscellaneous_	-----	-----	-----	-----	-----	30
Reserve for Unforeseen Ex.	11	15	16	12	15	15
<b>Total Expenditures---</b>	<b>186</b>	<b>265</b>	<b>380</b>	<b>400</b>	<b>550</b>	<b>804</b>

## NEW GUINEA.

[ooo omitted.]

	1894-95.	1895-96.	1896-97.	1897-98.	1898.	1899.
Civil Administration .....	----	----	----	----	----	196
Debt .....	----	----	----	----	----	400
Pub. Buildings, Roads, etc.	----	----	----	----	----	100
Miscellaneous .....	----	----	----	----	----	33
Reserve for Unforeseen Ex.	----	----	----	----	----	3
Total Expenditures...						732

## V. BUDGET.

The act of March 30, 1892, introduced the statutory budget system for the German colonies, with the exception of colonies in which the costs of administration are defrayed entirely by a colonial company.<sup>1</sup> This act provides that the income and expenditures of each colony shall be estimated annually and incorporated in the colonial budget, which is to be established by statute before the beginning of the fiscal year.<sup>2</sup> In accordance with this requirement a draft colonial budget is annually submitted to the imperial legislature. Specific amounts are appropriated for salaries (the civil and military administration being distinguished), pensions, increase of pensions, etc. The amounts appropriated for the employment of white persons are kept separate from those required for the labor of colored persons. The draft budget, moreover, indicates specifically the salaries of the colonial officials and contains a detailed account of the purposes to which the miscellaneous expenditures are to be devoted. The general nature of the temporary expenditures is indicated and, in some cases, the expenditure of the appropriation is fixed in considerable detail.

<sup>1</sup> *R. G. Bl.*, p. 369; cf. p. 43.

<sup>2</sup> A different rule is followed with respect to the colony of Kiauchou. It is not included in the colonial budget, but a lump sum is appropriated in the imperial budget to defray the costs of administration of the colony.

A small amount is annually included as "Reserve Funds", to provide for unforeseen expenditures.

The Budget Act further provides (§ 2) that a statement of the entire income and expenditure of the colonies for the fiscal year shall be submitted to the Federal Council and the Diet not later than the end of the following year, and that any expenditures over and above the budget estimate shall be particularly designated for the purpose of supplementary authorization. Before the Chancellor is exonerated from his responsibility, he must have submitted an account of the expenditure of all income for the year (§ 3). The auditing authorities which supervise and control the imperial budget exercise the same functions with respect to the colonial budget.

#### VI. DEBT.

The act of March 30, 1892, contains important limitations upon the power of the colonial administration to contract debts for colonial purposes. It is expressly provided that the obligations arising out of the administration of a colony, bind only the property of such colony (§ 5). This provision relieves the Empire from such obligation and at the same time gives juristic personality to the colonies.<sup>1</sup>

Another section (§ 4) of equal importance provides that if the extraordinary requirements of a colony necessitate the contracting of a loan or the undertaking of a guaranty, such contract or undertaking shall be authorized by statute.

None of the colonies have thus far contracted bonded indebtedness, nor does it appear that the mother country has undertaken any such obligation for colonial purposes. Obligations in the nature of debts have been

<sup>1</sup> Stengel, p. 127.

assumed for two of the colonies and a third colony appears to be held for the repayment of certain sums to the mother country. When the imperial government took over the administration of German East Africa, the East African Company agreed to make certain payments amounting to 10,556,000 M.<sup>1</sup> The company negotiated a loan to meet these payments and the imperial government agreed to pay the Company annually, until such loan should be liquidated, the sum of 600,000 M, out of the net proceeds of the customs. If in any year the net proceeds fell below such amount the deficiency was to be made good out of any excess in any subsequent year. It appears that 90 semi-annual payments of 300,000 M each, will be necessary before the loan is liquidated. The 17th and 18th semi-annual installments were paid during the present fiscal year.

New Guinea is subject to a similar obligation. Among other things, the imperial government guaranteed to the New Guinea Company, in return for the cession of its privileges and the public improvements in the colony, the sum of 4,000,000 M, to be paid in ten annual installments.<sup>2</sup> The agreement was made subject to the approval of the Federal Council and the Diet, which seem to have accorded the same by including the first annual payment in the budget of the colony for the fiscal year 1899. In accordance with the act of March 30, 1892, the obligation binds only the colony.

Cameroon appears to be the only colony which has been required to make repayment of a subvention from the imperial treasury. The sum of 1,425,000 M was granted this colony as an advancement in the imperial

<sup>1</sup> 4,000,000 M to the Sultan of Zanzibar for the relinquishment of his rights, and the remainder in productive and public works in the colony. See contract, *Kol.-Bl.*, 1890, p. 301 sqq.

<sup>2</sup> See contract, Entwurf, 1899, Beilage C, p. 70.



budget for 1891-92, and subventions were made in 1894-95, and 1895-96, amounting to 1,093,710.25 M. The colony was to make repayment in twenty-seven annual installments of 90,750 M each and one payment of the balance. The seventh installment was paid in the fiscal year 1897-98 but no payment has been made since then. The imperial legislature has made annual subventions to meet deficiencies in the revenue of the colony since 1895-96. The draft budget for 1899 states that further installments in repayment of the above amount must be postponed until the colony possesses adequate revenue derived from its own resources. The later subventions do not appear to have been carried as an obligation against this colony.

ISIDORE LOEB.

LIST OF AUTHORITIES WITH EXPLANATION OF ABBREVIATIONS IN THE REFERENCES.

- Beneke, Die Ausbildung der Kolonialbeamten. 1894.  
 B. G. Bl. = Bundes-Gesetzblatt.  
 Entwurf, 1899, = Entwurf eines Gesetzes betr. die Feststellung des Haushalts-Etat für die Schutzgebiete auf das Rechnungsjahr, 1899, und Etat der Schutzgebiete auf das Rechnungsjahr 1899.  
 Jahresbericht = Jahresbericht über die Entwicklung der Deutschen Schutzgebiete : Beilage zum Deutschen Kolonialblatt.  
 Kol.-Bl. = Deutsches Kolonialblatt. Amtsblatt für die Schutzgebiete des Deutschen Reichs.  
 Kol. G. G. = Die deutsche Kolonial-Gesetzgebung. I. Theil, 1890-1892 ; II., Theil, 1893-1897. Herausgegeben von Riebow und Zimmermann.  
 Kol. H. A. B. = Kolonial Handels-Addressbuch. Herausgegeben von dem Kolonial-Wirtschaftlichen Komitee.  
 Kol. Kal. = Deutscher Kolonial Kalender. Herausgegeben von G. Meinecke.  
 Kol. Z. = Deutsche Kolonialzeitung. Organ der Deutschen Kolonialgesellschaft.  
 Meyer, Georg, Die Staatsrechtliche Stellung der deutschen Schutzgebiete. 1888.  
 R. G. Bl. = Reichs-Gesetzblatt.  
 Stengel = Stengel, Carl, Freiherr von, Die deutschen Schutzgebiete, ihre rechtliche Stellung. Verfassung und Verwaltung. 1895.

## THE DUTCH COLONIAL FISCAL SYSTEM.

With the exception of unimportant posts on the Gold Coast of Guinea, resigned to the English in 1871, the colonial possessions of the Netherlands have remained substantially the same since the Napoleonic period. There have been some territorial rearrangements in the East, but these and the greater changes that preceded them deserve no detailed treatment in a sketch of the modern fiscal system of the Dutch colonies. The present possessions are divided for administrative purposes into three groups:—the East Indies, Surinam and Curaçao. Of these groups the first, comprising a large part of the islands in the Malay archipelago, is by far the most important. It surpasses the Netherlands not only in area and population, but also in the amount of its annual expenditures and revenues, and in quantitative comparison with it the other possessions are insignificant. In this report, therefore, the fiscal affairs of the East Indies will be described apart from those of the other colonies, and in much greater detail.

The contrast between the Asiatic and American possessions is not alone one of magnitude. There is the further distinction that the Asiatic colonies have for a large part of the century returned a net surplus to the home treasury, while the American colonies have been and still are a drain upon it. Table A.,<sup>1</sup> which states the expenditures of the Netherlands on colonial account, shows that both Surinam and Curaçao depend upon the governing country for the payment of certain fixed ex-

<sup>1</sup> P. 101.

penses and for subventions in addition. The expenditures of the Netherlands charged to the department of the colonies, which amounted to little over 100,000 florins per annum before 1862, but which have been since then in most years a little over 1,000,000 florins per annum, represent constant support given the American dependencies, aside from the special appropriations for emancipating the slaves. To the East Indies, on the other hand, no aid is granted by the governing country, even in case of a deficit in the colonial finances. This deficit has become a regular occurrence in recent years, and the Netherlands can no longer count upon the subsidy that the Indies used to return. This subsidy still appears in the estimate of revenues of the state—"Contribution of Dutch India to the revenues for payment of the kingdom's expenditures"—but no sum is set opposite the item. In the estimate for 1900 only two payments were counted upon as coming from the colonies, and both of these were sums due from the Indies for the charges on debt that had been contracted to cover deficits in the Indian finances.

A catalogue of all the islands included in the Dutch possessions in the East would serve but poorly the purpose of indicating the territory which forms the basis of the Dutch colonial system, by diverting attention from the cardinal importance of Java. That one island, with the small island of Madura, supports on an area little larger than that of the State of New York a population of 26,125,000 (more than 500 inhabitants to the square mile), while the other Dutch possessions in the Indies (outer possessions — *Buitenbezittingen*) with an area thirteen times as great have a population little more than one-third that of Java and Madura and furnish only about one-sixth of the total revenues. Throughout this

century Java has formed the main field of activity of the Dutch financiers, and Java has supplied the surplus revenues that have enabled the Dutch to extend their rule in the other eastern possessions.

In 1800, when the control over the Indian possessions passed from the East India Company to the state, the Dutch really governed only a small part of the territory, even in Java; most of the native states maintained their existence under a Dutch protectorate. A small part of Dutch India is still governed by the native princes, but the tendency has been toward a constant extension of direct rule by the Dutch, and the exceptions to this rule in the more advanced and prosperous parts of the archipelago, the parts with which this paper is most directly concerned, are now rather formal than real. The native princes have become salaried officials, and maintain an influence only in so far as they can make themselves useful in forwarding the plans of their foreign rulers. The distribution of powers among the Dutch is, therefore, the only point to be considered in this sketch of the system of government. Of the government in India it may be said that strict centralization is the most marked feature. All power proceeds from the Governor General, who is limited in his action practically only by his responsibility to the home government. An advisory council is given him, but it is set below rather than beside him. There is absolutely no local autonomy, and there are no municipal fiscal systems. The expenditures for lighting the streets in Batavia and Macassar appear in the budget that is framed under the supervision of the Governor General and debated and adopted by the Dutch Chambers.

In the first half of the century the Governor General exercised his important functions subject alone to the



King or his minister. As a result, however, of the liberal movement in the Netherlands the States General demanded a share of influence in the direction of colonial affairs, and the constitution of 1848 substituted for the personal rule of the King the government of the legislative power, the King and Chambers. The Chambers (with the King) established in 1854 the *Regeeringsreglement*, a sort of colonial constitution defining the functions and powers of the different members of the Dutch government in India, and they gave increasing attention to the details of colonial government as time went on, until in 1867 they assumed the important power of voting the budget for the Dutch Indies annually. The increased ease of communication due to steam and electricity has made the control of the Chambers over Indian affairs more and more effective, and has stimulated the Chambers to busy themselves with the details of colonial government so much as to bring down on them the charge of mischievous interference. The two reforms most desired at present by those interested in the welfare of Dutch India are decentralization and the liberation of the colonial possessions from the fluctuations in policy due to party changes in the Netherlands.

The financial policy pursued by the Dutch in their eastern dependencies can be divided chronologically into three periods.

The first, extending from 1800 to 1830, was a period of experiment. The East India Company had left the native taxes as they were, and had made its gains for the most part by tribute levied on the princes. An attempt to establish a uniform system of taxation, based mainly on the land tax and modelled on the system of British India, failed by reason of the difficulty of admin-

istration and the demands for greater revenues to meet extraordinary expenditures in the Indies and in the Netherlands.

In the second period, extending from 1830 to about 1860, the policy of reform gave way to the policy of "net surplus" (*baatig slot*) for the benefit of the governing country. The possessions were exploited without mercy. The land tax established in the former period was retained, but the Dutch found that in raising revenue the old customary dues in labor and in kind offered the line of least resistance, and these were extended and adapted to form the "culture system".<sup>1</sup> The natives were required to give a certain proportion of their land and of their time to the cultivation of specified products, which the government took from them at a small fixed price and sold in the European market. Thanks to favoring conditions in the market, especially the rise in the price of coffee, the government secured a return much in excess of the costs of economic and political administration. The net surplus was obtained, however, only by tolerating many vicious features in the administration and by pressing the native cultivators beyond endurance. Expenditures, on the other hand, especially on items like education and the administration of justice, were reduced to a point that menaced the permanent welfare of the people. The application of the culture system to obtain a net profit resulted in serious evils, both economic and political, and as these became better known in the Netherlands they roused an opposition to the system that made reform inevitable.

<sup>1</sup> The characteristics of the culture system are described in detail by the present writer in an article in the *Yale Review*, VIII, 420, Feb., 1900.

No date can be set as marking the end of the culture system, and in fact a remnant of it is still in operation, but changes in the financial system occurred in the period immediately following 1860, so important that a new period may be said to have begun then. These changes can be summarized as follows. The forced cultures were abolished in favor of free cultivation, those going first that were most burdensome to the natives and least profitable to the government. Up to 1880 the receipts from the sale of products by the government amounted to more than half of the total revenues, but the proportion has now sunk to one-fifth or less; in absolute amount the receipts from this source of revenue have declined from 70-80,000,000 florins to 20-30,000,000. The decline in government revenues from the sale of products forced an amendment and extension of the other sources of revenue, which has given them a much more important place in the fiscal system. So far as possible the government made up for its losses on sales by direct taxes on production, or by export duties. The taxes on natives were subjected to a thorough revision, and the system of farming out the taxes gave way, in most cases, to direct administration by the government. Finally, the taxes on Europeans were extended to accord with the increase in the class of merchants and planters, who had been given little encouragement to settle in the islands while the culture system was in operation, but who have grown constantly in numbers since the chance to profit in industrial enterprise has been more freely opened to them.

Aside from annual fluctuations, due in large part to the aleatory character of the receipts from the sale of products, the revenues have varied but little from the figure of 130,000,000 florins during the last thirty years.

The change from a surplus to a deficit, is due to an increase of expenditures, partly the ordinary ones necessary for proper government of the natives, but especially the military expenditures occasioned by the stubborn resistance of the natives of Atjeh, northern Sumatra, to the extension of Dutch rule. The war in Atjeh began in 1873, and is still going on. Before this war the home government had been used to receive substantial subsidies every year, which had been applied in large part to the reduction of the national debt, and after 1860, to the building of railroads.<sup>1</sup> Since 1840 this subsidy had been made up of two parts, a fixed annual payment of 9,800,000 florins for interest on the Indian debt, and a variable sum in addition, which absorbed the rest of the Indian surplus. The distinction between the two items was given up in 1864, after the debt had long been paid, and the state appropriated to itself the surplus in a lump sum. There was a feeling in the Netherlands that the treasury ought not to rely on the Indian contributions as a regular source of revenue, but the Dutch finances became in fact more and more dependent on it, and a proposal to limit the contribution to 10,000,000 florins, and to apply the rest to the service of the Indies was rejected in 1869. The outbreak of the Atjeh war necessitated a change. In the budget of 1874, the ordinary revenues and expenditures of the Netherlands were made to balance, without the help of an Indian subsidy, for the first time since 1814. But this result was accomplished only by means of questionable book-keeping, and the state was soon forced to obtain by loans and by other taxes the sums that the Indies had formerly contributed. The

<sup>1</sup> Estimates of the net surplus vary considerably. Pierson puts it at 781,000,000 florins for the period 1840-1874. Van der Berg makes it 725,000,000 florins, 1831-1871. (Boissevain, *Ned.-Ind.*, *De Gids*, 1887, II., 337). Other estimates in de Louter, 273.

Indian contribution appeared in the estimates of revenue for the last time in 1877, and then only for a small sum, originating in the back-payments of former years. Since then there has been in exceptional years (in 1889, in 1890, and in 1893), a surplus in the Indian finances, but the Kingdom of the Netherlands has not benefitted by it, because there has been no legislative authority to appropriate it. The Chambers have not been able to agree on the principle or the amount of the contribution, though since 1878 many laws have been proposed to settle permanently the financial obligation of the Indies to the Netherlands. Most of the laws aimed to fix a certain annual subsidy, varying from 2,000,000 to 6,000,000 florins, and to give the rest of the surplus in whole or in part to the Indies. Interest in the question has flagged in the Netherlands, because it has no practical importance so long as the Indian deficits continue, and the whole subject still awaits settlement.

In Table B<sup>1</sup> a statement is given of the revenues of Dutch India, arranged according to the classification of the Dutch Statistical Bureau. Some features of the classification seem unreasonable, but it rests upon high authority, and at any rate is accurate enough to give a general idea of the grouping of revenues. The purpose of this report will be best served by confining the text to a description of the most important sources of revenue, leaving to the reader the comparison with other colonial systems and the generalizations to be drawn therefrom. The large part played by the sale of products and by the government monopolies is noteworthy. In regard to the direct taxes the most interesting feature is the arrangement of parallel taxes on

<sup>1</sup> Pp. 101-102.



Oriental and on Europeans.<sup>1</sup> The direct taxes seem to have been modelled, but with variations, on the Dutch taxes whose names they bear. Index letters refer to the tabular statement.

a. *Landelijke inkomsten*. Aside from some small special taxes on land and fish-ponds, this source of revenue is made up of one item, the land-tax, (*landrente*), the most important single direct tax in Dutch India, though confined to Java and Madura. This tax was introduced during the period of British rule in Java, 1811-1816, and has been retained ever since as a tax on that part of the land which is held by native customary tenure, while land held by non-natives is now reached by a parallel tax, the *verponding*. A law passed after long agitation, in 1872, attempted to define the principles and regulate the details of the land tax. Before that date the tax had been raised by a system of bargaining (*admodatie-stelsel*), between the government officials and the village head-men, and the best fighting side came out ahead, inside the broad limits set by the needs of the government and the prosperity or adversity of the village. Now all was to be strictly regulated. All villages were to be put into one of ten classes, according to the gross product of the land, villages in each class were to pay a different sum per unit of area, the classification was to be revised every five years, etc. The law has been severely criticised for some of its provisions—the imposition village-wise and not on individuals, the adoption of the gross and not the net product for the basis of assessment, and other features, seemed faulty. Into the details of this criticism it is

<sup>1</sup> In 1895 there were 51,484 Europeans and 256,055 Chinese in Java and Madura, 11,831 Europeans and 213,479 Chinese in the other possessions. The number of Arabians and other Orientals was less than that of the Europeans.

not worth while to enter, for the law has really never been carried out. Native custom is too strong, and knowledge by Europeans of the actual individual conditions of the lands and villages is too slight. A village pays a certain land tax now not on any statistical basis but simply because it has paid that sum in the past and because experience has shown its ability to pay it. From time to time there are rough readjustments that lower or raise the tax of certain villages as conditions change or knowledge of the conditions increases, but the attempt to regulate the whole land-tax by general legislation has been given up. Cadastral surveys are going forward, and with them an approach to the imposition on individuals which is an essential preliminary to any systematic reform of the tax. Under the present system investigation has shown that in each village the land-tax is apportioned by a different method.

b. *Verponding*. The preceding tax has a complement in a tax on all real property which is held by title according to the European fashion, even though the owner or occupant is a native. This tax extends over all of the Dutch Indies. By reason of its application to a picked class of the population, the members of which can be reached individually by the government, it is much more systematic in its action. Land and buildings are assessed every five years, the latter being valued at ten times the gross annual rental.

c. *Belasting op het bedrijf*. The business tax is divided like the land tax, into two parts, one designed for natives and one for Europeans. In the case of this tax, however, foreign Orientals (Chinese, etc.) are grouped with the natives, but are rated twice as high, paying 4 per cent. instead of 2 per cent. The tax is

levied on the earnings of all Orientals who are not subject to other taxes, (*i. e.*, practically all who are not cultivators of the soil) with the exception of officials and natives whose earnings are less than 25 florins a year. Schedules are made up every year by local commissions, and the tax is collected through the village head-men and the heads of the Chinese quarters. In 1895 the average payment per capita was in Java and Madura for natives 1.73 florins, for Chinese 10.56 florins, for other foreign Orientals 8.60 florins. A minimum of 1 florin per capita for natives was abolished in 1893, causing for two years a shrinkage in the receipts which has since been made up.

d. *Patentrecht*. The business tax on Europeans was not introduced till 1878 and then only in the face of a strong opposition. It amounts to 2 per cent. of the net income received from any form of gainful enterprise, which is not conducted entirely by or for the profit of natives. Planters deduct from their gross receipts the amount of the land tax. The only exemptions are in favor of officials, missionaries, etc., and stock companies with offices in the Netherlands and taxable there. The last exemption, which is designed to avoid double taxation, has caused Dutch India to lose a considerable amount of revenue which fairly should come into the treasury. A number of attempts to remedy the injustice proved abortive, but in the present budget of Dutch India (1900) an item appears, "Reimbursement of the revenues of Dutch India from the yield of the Dutch business tax," which is put at 300,000 florins.

e. The *personcele belasting* is a direct tax on consumption introduced in 1879 and imposed on Europeans and foreign Orientals, with a slight distinction between the two classes. The principle and name were borrowed

from the Dutch tax on personal property, but the colonial tax has been modified, and shows, it is said, an improvement over its model. It consists of 5 per cent. of the rental value of domiciles, 2 per cent. on the furniture, and a fixed payment for each horse and carriage kept for purposes of luxury.

The tax on vehicles (f. *belasting op rijtuigen*) is a special tax levied on the natives of Java, payable by the owner of each cart or wagon, even though it be used for business purposes.

g. *Vendurecht*. The tax on public sales has been levied in Java since the seventeenth century. Its main interest lies in the function that it assigns to the state of insuring the fulfillment of purchases made on credit by one native of another.

h. *Hoofdgeld*. The poll tax, which in many countries is regarded as one of the most oppressive taxes, has been in Java and Madura a boon to the people in relieving them from the labor dues that used to be exacted by the officers of the native states. Under the primitive conditions of native government these dues formed one of the most important sources of public revenue. The imposition of taxes by the Dutch, and the extension of the culture system with its demand for special labor dues did not lead to an abolition of the *heerendiensten*, "services due to the lord", which were exacted by the Dutch government and by the native chiefs and head-men without reasonable limit. No part of the tax system bore so heavily on the subjects in comparison with the small amount of benefit that it brought to the rulers. The poll tax represented originally the commutation of a certain part of these services, the *pantjen-diensten*, which included all services owed to natives above the rank of village head-men. This class of services was

abolished in 1882, and a tax of one florin was levied on each man who had owed services, to recompense the official class of natives for the loss. The revenues proved to be more than necessary for this purpose, and the surplus has been appropriated to the abolition of other services. At the present time more than half of the total is available for this extension of commutation. It is the desire of the government to raise the poll tax in each district as rapidly as the conditions permit, and to apply the proceeds to the abolition of labor dues in the same district, but experiments made from time to time have shown that the process of commutation is difficult and must be slow. For a complete transformation of labor into money dues it is estimated that a tax of two to three florins per head would be necessary. It is especially difficult to reach and regulate the dues owed to the headmen from the members of the village, and these will probably remain long after the more public services have been abolished. At present the amount of time required by the government itself is very moderate in comparison with the amount that used to be exacted. Taking all of Java and Madura together, the mean number of days given by each man owing services is about six in a year. In some residencies the number goes down to one, and the highest mean of any residency is ten. The labor is applied to the construction and maintenance of roads, bridges, irrigation works, public buildings, etc., the manning of watch-houses, and the watching of water-works. In the outer possessions there is a great variety of conditions. The maximum number of days required in any district, exclusive of communal services, is 42 and, in general, the progress is much behind that which has been made in Java and Madura. The poll tax levied in many of the outer possessions



seems to have no bearing on the commutation of labor dues.

Of the indirect taxes, duties and excises are by far the most important. i. Of the revenue from stamp duties, transfers and successions, more than half comes from the stamp duties, *zegelrecht*, which are imposed in all of the Indian possessions, and to which natives are subject as well as other Orientals and Europeans. The inheritance tax imposed on Europeans, *recht van successie en overgang*, yields but 72,000 florins, as estimated in the budget of 1900, while the tax on transfers of real property, *recht van overschrijving van vaste goederen*, yields 644,500. This last tax, however, is not strictly confined to real estate (it includes ships) and it shares the field of the inheritance tax in some respects.

j. *In- en uitvoerrechten*. During the early part of the century the system of differential duties to protect Dutch products and shipping was consistently maintained, limited only by the treaty obligations to other powers. In spite of the fact that the Dutch paid but half of the import duty imposed on foreigners they were unable to secure control of the market from Americans and English, and when the differential duties were lowered, in the years after 1865, and finally abolished in 1874, the trade not only of the Indies but of the Netherlands as well gained by the change. Since 1874 the Indian tariff has been on a purely revenue basis. A nearly uniform rate of 6 per cent. was maintained until 1886, when the demand for more revenue from this source led to an increase to 10 per cent. on some articles. Out of a total of 9,141,785 florins raised by import duties in 1897 more than half was levied on five articles, woven goods, spirits, food stuffs (excluding fish and butter), gambier (called cutch in British India, used with betel

for a masticatory) and fish. Both specific and ad valorem duties are in force. Articles not specified in the tariff pay 6 per cent. ad valorem. The free list includes most metals, raw materials, tools and cattle; all goods are free, moreover, when imported from some other possession in the Dutch Indies in which the same tariff is in force, or when imported for the use of the government. Most of the possessions are under the one tariff, but some are free from it entirely (Celebes, Timor, etc.); some have much lower rates (East Sumatra); and some have special individual tariffs (Indragiri). Export duties used to be imposed on a very large number of articles, but the number has been constantly diminished. In 1886 a proposition to abolish them entirely was lost by only two votes in the Dutch Chamber, while a counter proposition to abolish them only for exports to the Netherlands (so re-establishing a differential) was overwhelmingly voted down. In 1897 the export duties gave to the treasury 2,010,389 florins, the most important articles contributing as follows in thousands of florins: sugar 774, coffee 420, tobacco 367, tin 187, indigo 79. The export duty on sugar was suspended for a number of years after 1887, owing to the depression of the sugar industry, and was finally abolished in 1898. A royal decree of Dec. 30, 1899, established an export duty upon forest products in the outer possessions; an attempt had been made in 1880 to impose such a duty, but there was such strong opposition from the interests affected that at that time the plan was rejected by the Second Chamber.

k. *Accijnzen*. Under this head are included internal taxes imposed on the production, or, in the case of tobacco, on the movement from one possession to another, of articles subject to import duties. In 1897

the excise on petroleum gave about three-fourths of the total revenue received under this head, and the remainder came from matches, distilled liquors and tobacco.

l-o. It is not necessary to enter into the details of the other items grouped under taxes (*belastingen*) by the Statistical Commission, or to inquire why some are placed under that head. A few points are, perhaps, worth noting. The receipts from education include 100,000 from the schools for natives. The charges for pilotage and the like are more than half net profit to the government, and are imposed without favor on the ships of all nations. Though the post and telegraph return a surplus, it amounts to no more than the fictitious charges for government letters and telegrams. Among the miscellaneous receipts there is one item of interest, a remnant of what was once the universal system, a "contribution" from the native states in Celebes for the protection afforded by the Dutch, amounting to less than 25,000 florins.

The revenue from the sale of products on government account is still a very important item in the finances of Dutch India, in spite of the extension of taxes proper since the reform of the culture system. The three products that deserve special notice under this head return their revenues under three different systems of management.

p. Coffee is still cultivated on the plan of the old culture system, by forced labor. As lord of the land the state reserves land suitable for coffee culture that has not already been brought under cultivation by the natives, and imposes on villages in its vicinity the obligation of maintaining coffee plantations on it. With the exception of certain classes, all landholders in a village in the coffee district are required each year to plant a

certain number of trees, fifty at the most, to cultivate them, pick and prepare the product, and deliver it to the government at a fixed price per pikol (133 lbs.). Natives who are not bound to the coffee culture are allowed to grow coffee, but must sell the product to the government at a fixed price. In 1896-7, 287,915 families were subject to the system of forced culture, but less than half of these were required to plant new trees, the others simply maintaining those that were already under cultivation. The total number of trees under forced culture was estimated at 66,000,000, while the number under free cultivation by the natives, the product of which had to be sold to the government, was 180,000,000. The price paid at present is 15 florins per pikol, for coffee of good quality, 7.5 florins for an inferior grade, and the total cost to the government, including the price, is from 17 to 20 florins, taking the mean of the years 1893 to 1897. In that period the government sold its coffee in the Netherlands for about 69 florins gross, or 57 florins after deducting the expenses of transportation and sale. The gain in some years is very considerable, but varies greatly, of course, with the crop, and the price that can be obtained for it. In the estimates for 1900, the receipts from coffee are put down at 10,185,815 florins, and the specific expenses of the administration for coffee at 5,713,461 florins. At present the government coffee culture in the East Indies is declining, and more than half of the crop is now grown by private planters, who have the free disposal of their product. There is not enough flexibility in government management to enable the culture to withstand such shocks as the coffee blight, and under a system of compulsion it has proved impossible to prevent hardship and suffering of the natives. It is generally recognized that

the government culture is a clumsy and wasteful mode of raising revenue, but it is so firmly established, and the difficulty of developing new sources of revenue is so great, that it will probably continue for some time longer. A royal commission investigated the question in 1889, and advised that the feature of forced delivery should be retained, but that the price paid to the natives should be raised, and that the forced culture should be abolished. In the discussion of the Indian budget of 1893, the Second Chamber passed a resolution that the government should make it its constant object to do away with the coffee monopoly, and should either lease the lands or pay the natives working on them the market rate of wages. Since then the obligation to sell coffee to the government has been given up in four of the twenty residencies in Java.

q. During the latter period of the culture system the government introduced the cultivation of the cinchona tree in the highlands of Java, with the idea rather of adding to the resources of the country than of increasing the revenues. The government plantations were carried on like private enterprises by free laborers, and were designed simply to stimulate planters and natives to raise cinchona. For some twenty years the government conducted the enterprise at a loss, but since about 1880 there have been returns in excess of the costs of cultivation. During the four years, 1892 to 1895, the net return varied from 6,858 florins to 12,650 florins, and in 1896 it reached the much higher figure of 102,013 florins. The government crop has for a number of years been less than one tenth of the total amount of cinchona bark raised in the islands.

r. While in the cinchona culture the government has no advantage over private competitors except in its con-



trol of the waste land of the country, it has in tin production a natural monopoly which it has inherited from the Sultan of Banka. The government exploits the tin mines of Banka through contractors, mostly Chinese, to whom it pays a fixed sum of 13.50 florins per pikol for the tin which they produce, beside making them advances in various ways. The total cost amounted in 1897 to 27 florins per pikol, and in that year the government sold in the Netherlands 157,354 pikols at a price of 45.26 florins. The mines in Billiton are worked, on a concession, by a private company, the *Billiton-maatschappij*, whose relations with the government in the past have occasioned some scandal. According to the present concession, which lasts to 1927, the company is required to turn over five-eighths of its net profits to the state. The share of the state in the gains of the company was estimated at 2,150,000 florins in the budget of 1900.

s. Of the other products produced and sold by the government there is but one of great importance, the coal from the Ombilien mines in Sumatra. In 1900 the receipts from the sale of coal were estimated at 2,648,000. Against this figure should be set the sum of 1,627,350 appropriated for the expense of working the mines.

t. Opium takes in the eastern world much the same position as that taken by spirits in the western, and imposes on the statesman very similar problems. Prohibition has, in the past at least, proved impracticable in most cases, and all that can be done is to provide that the people should get as little harm and the treasury as much money as possible. In practice the government has assumed the monopoly of the wholesale trade in opium, importing the entire supply from British India and pro-

hibiting home production, and has got its revenue by farming out the privilege of retail trade to the highest bidders. The twofold object, gain to the treasury and prevention of harm to the people, would seem to be attainable by charging the opium farmers a high price for the drug, but smuggling became so prevalent when this was done that both the treasury and the people suffered. To prevent smuggling the "tiban and siram" system was introduced. An estimate was made of the amount of opium which the people of a district were sure to want, and this amount (*tiban*) the farmer was compelled to buy at a high price. If he wanted more it was furnished him (*siram*), up to a certain maximum, at cost. An experiment with the abolition of the upper limit led to a tremendous increase in consumption, and the government returned to the policy of setting a maximum for the amount furnished each district, but charged the same price for all quantities. Smuggling was prevented so far as possible by elaborate administrative regulations and by a liberal policy in setting the maximum. This is the policy followed in the main at present. Its most serious fault is the natural tendency of the opium farmers to make up for the price that they pay the government for their privilege by increasing their sales in any way possible. In 1893 an experiment was made in certain districts with government administration of the retail trade, by salaried officials, and the success attained has led to an extension of the system, which will undoubtedly become universal in time. The greatest part of the receipts from opium represent net revenue, the cost of the drug and the expenses of administration being only about 2,000,000 florins.

11. The salt monopoly has often been attacked as an

undue burden on the natives, but in view of the fact that no general poll tax is imposed in Dutch India this source of government revenue seems justified. The government maintains a monopoly of the manufacture of salt, and sells the product at a fixed price to the people. The government price used to vary considerably in different parts of the archipelago, but the price of 6.72 florins per pikol is now almost universal.

v. The small leased revenues (*kleine verpachte middelen*) include a great variety of payments grouped by the Dutch statisticians under the head of monopolies, though they vary greatly in character, and are alike only in that they are all of long standing, affect only Orientals, and are all farmed out. They comprise taxes on the slaughter of cattle and pigs, on Chinese gambling and theatrical entertainments, the lease of birds-nest cliffs, etc.

w. The state forests, especially valuable for the teak which they furnish, have in the past been exploited generally by auctioning off to individuals the right to cut the timber on a certain area. There is at present a tendency to extend the action of the government, and to manage the forests directly for the profit of the state.<sup>1</sup>

x. Of the railroads in Dutch India three-fourths in mileage were constructed and are run by the state. The net returns, above operating expenses, amounted to 4,621,672 florins, a return varying on the different lines from 1.66 per cent. to 6.75 per cent. of the cost of construction. A steam tramway in Atjeh gave a net return of 46,301 florins, and the state received in addition 162,000 florins from the private lines.

<sup>1</sup> Details of recent regulations in an article by van Ossenbruggen, *Jahrbuch f. vergl. Rechtswissenschaft*, IV., 685, ff.

In regard to the expenditures of the Dutch Indies (Table C, p. 102) it should be noted that all are supposed to be for the benefit of the Indies, not of the Netherlands, even though the money is laid out in the home country. Items appear in Section I, Expenditures in the Netherlands, like "expenses of sending letters and telegrams to the Indian government", "expenses of commission to report on legal reforms in Dutch India", "share in the expenses of the Royal Cadet Academy"—there is a tendency to force the Indies to be absolutely self-supporting, but the writer has observed no case in which the Indies have been levied upon for expenditures which are for the sole benefit of the Netherlands. It is very possible that the Indies bear more than their proper share of some expenditures which are of common interest, but these items are so small that the question is of theoretical rather than practical importance.

Running through the items under Section I, it will be seen that the largest are those of finance (interest on debt 4,288,000, pensions 7,331,900), public works (largely railroad supplies), war and navy. The Indian possessions bear the entire burden of their military and navy establishment, paying not only the expense of maintaining it in India, but also the costs of recruiting and transporting the men, and even a share of the costs of educating officers in the Netherlands, maintaining the hydrographic bureau there, etc. The expense of construction and equipment of the fleet is borne also by the Indies, so far as regards the ships designed for permanent service in eastern waters. The Dutch government provides an auxiliary squadron of two armored and four unarmored cruisers, of which only the maintenance, not the construction, is paid out of the Indian revenues. This is, so far as known to the writer, the only exception to

the general rule that the Indian possessions shall pay their own way.

The items under Section II, Expenditures in the Indies, need little comment. Attention should perhaps be drawn to the fact that expenditures on the different products whose sales form part of the government revenue, appear under several divisions, expenditures on opium under III, on coffee, cinchona and forest products under IV, on tin, coal and salt under V. These items do much to swell the expenditures, especially in division V, in which the expenditures on education and religion are much less than half of the total. In division VI, Public Works, the cost of building and running the railroads and telegraph lines is a little more than half of the total expenditures, the construction and maintenance of irrigation works are about one-fifth. The amount expended for the war department is the more remarkable as the population of Java is one of the most peaceable of any in the world, and there is little need for an army except as the government pursues the policy of expansion in the outer possessions, the policy to which it is now devoted.

The budget of the Dutch Indies is divided into four parts, each ratified by a separate law. The two parts determining expenditures and revenues in the Netherlands are prepared under the direction of the Minister of the Colonies, and the result is cabled to the Indian government before February of the year preceding the budget year. Meanwhile the Director of Finance in the Indies has been preparing the estimates for the second section of the budget, comprising the expenditures and revenues in the Indies, which he now revises to accord with the proposals of the home government. The whole is then submitted to the Governor General and Council for correction and approval. After such changes as seem



desirable have been made the whole budget is sent to the Netherlands, passes under the revision of the Department of the Colonies, then goes to the Council of State, and by September at the latest to the States General, accompanied by a message from the Minister of the Colonies explaining its provisions. The budget is referred to a committee of five in the Second Chamber, whose report furnishes an opportunity to criticise the policy of the government in general and detail that is answered by another message from the Minister seeking to justify the course of the government and full of promises for the future. In the budget of 1900 amendments were made in 24 articles before it was passed by the Second Chamber. The Second Chamber contented itself with general criticism, to which the Minister replied as above. After the budget has gone into effect, the Governor General is allowed to make transfers of appropriations within the limits of a subdivision, and the subdivisions are pretty broad. Thus, for example, in the division of appropriations for education, religion and industry, different subdivisions comprise each an object of expenditure like education of Europeans (2,700,300 florins), education of natives (1,409,489 florins), religion (713,400 florins), medical service (2,028,818 florins), tin (4,789,833 florins), etc. The appropriations for unforeseen expenditures in each division insure in another way a certain flexibility, and in addition the Governor General is authorized in case of necessity to borrow the means of meeting unanticipated expenditures if he notifies the King immediately of his action. Such action must be ratified as soon as possible by the legislative power, but ratification is almost never refused, and the Indian government takes full advantage of its liberty in this direction.

The variable character of the revenues from the sale of products and the fact that the Indian government is obliged to make its estimates so long before the opening of the year, have led in the past to great differences between the estimated and the actual results. From 1871 to 1884 the expenditures exceeded the estimates by 111,000,000 florins, a mean of nearly 8,000,000 a year. There has been some improvement in this respect, as can be seen from the following table, in which the contribution of India to the Netherlands is omitted from the expenditures. Figures are in millions of florins :

	1867		1877		1886		1895	
	Rev.	Exp.	Rev.	Exp.	Rev.	Exp.	Rev.	Exp.
Estimated -----	120	104	136	134	134	140	128	138
Actual -----	138	110	163	159	131	128	131	144

There has been great improvement also in the promptness with which the year's accounts are closed.

During the fat years of the culture system the debt contracted by the Netherlands in behalf of the Indies was paid off, but the deficits of the following years have caused the Indian treasury to run further and further behind. An advance of 18,000,000 florins was made to the Indian government in 1884, raised by a loan contracted by the Dutch treasury. In recent years the Department of the Colonies has been borrowing heavily of the Department of Finances, which was authorized by a law of 1897 to make advances to the Indian revenues up to the amount of 48,000,000 florins. The floating debt issued to cover the Indian deficits increased till the interest charge amounted to over a million florins in 1897. This led to the passage of a law in 1898 authorizing a 3 per cent. state loan in behalf of Dutch India, fixed at 57,815,000 florins. The budget of Dutch India for 1900

appropriates 3,848,000 florins for the interest, costs and payment of the 3 per cent. debt, and 440,000 florins for payment of charges on floating debt.

The Dutch colonies in America are Surinam or Dutch Guinea and Curaçao, a colony consisting of the island of that name, and other small islands lying north of Venezuela. The most striking difference between these possessions and those in the East Indies is one in size, especially in population. Surinam had in 1897 a population of 67,767, of whom 766 were Europeans, excluding those serving in the army and navy. The total population of Curaçao was 50,705, and of these but 438 were natives of the Netherlands. Further it should be noted that the real native population is insignificant, and that the bulk of the people are negroes or coolies. As there was no indigenous civilization, with an established tax system, all the taxes have been introduced by the Dutch.

There is little difference between the fiscal systems of Surinam and Curaçao. In theory the colonial government, composed of a governor and legislative council, is empowered to determine the revenues and expenditures of the colony, subject to the approval of the King. The salary of the governor, and the expenses of the army and navy, being paid by the Netherlands, are removed from the sphere of action of the colonial government, and it is expressly provided that no import or export duties can be imposed which would injure the trade of the Netherlands or of other Dutch colonies. If, however, the colonial budget is not submitted by the colonial government within the proper time, or if it is not satisfactory to the King, or if the colony finds its revenues insufficient and needs the financial aid of the

state, the power of determining the items in the budget passes from the colonial to the home government. As there is almost always a deficit in the colonial revenues, in both Surinam and Curaçao, the budgets of both colonies are generally passed upon by the Dutch Chambers. As to the method of preparation, the budget of Curaçao for 1900 may be taken as an example. The Governor submitted it to the Council, May 9, 1899, and it was adopted July 13, after eight amendments had been made in it. This provisional budget, with the Governor's message, the report of the Council, and the message in answer, was then sent to the Netherlands, was presented in the Second Chamber, November 6, and after two unimportant changes had been made in it, was finally acted on in the First Chamber, January 19, 1900. Complaint was made in the Second Chamber, that the budgets of both Curaçao and Surinam were presented to the members too late to allow them the proper amount of time for examination, and neither budget was finally adopted till several weeks after the opening of the fiscal year. So far as shown by the documents used by the present writer, both budgets were adopted substantially as they were when submitted by the colonial governments. The demand for a subvention from the home government evoked no special criticism, though the hope was expressed that it might cease in time.<sup>1</sup>

In explanation of Table D,<sup>2</sup> revenues and expenditures of Surinam and Curaçao, few words will be necessary. The expenditures on immigration are for the

<sup>1</sup> Reference to the tables appended (pp. 101, 102,) will show that there is a great discrepancy in the figures of the subventions as stated in the Dutch budget and in the colonial budgets. The figures in the colonial budgets represent probably the sums finally granted. The figures in the Dutch budget date from its introduction in the Second Chamber, Sept. 21, 1899.

<sup>2</sup> P. 103.

office charges of the bureau that supervises the coolie traffic, and for advances and premiums to colonists. The large expenditure on the colonial marine in Surinam is explained by the fact that the rivers of the colony take the place of highways in large part, and the government maintains many small steamers for the use of officials.

Of the sources of revenue import duties and the internal tax on liquor are by far the most important. In the report on the budget of Surinam by a committee of the Second Chamber the fear was expressed that the colony might become too dependent on them. Export duties are levied on staple products in most of the islands of the colony of Curaçao, but have been abolished in Surinam since 1895 and are replaced there by a tax on the production of gold. Under special revenues in Surinam the writer has grouped two sums, coming from a former loan and from a pension fund that had just been abolished.

CLIVE DAY.



TABLE A.

## BUDGET OF THE NETHERLANDS, 1900. DEPARTMENT OF THE COLONIES. EXPENDITURES.

I. Costs of the department (salaries, etc.)	fl. 237,679
II. Expenditures for Surinam :	
Salary, etc., of governor	30,500
Pensions for former governors	8,649
Army for defence of the colony	375,000
Pensions, etc., for former members of army	92,117
Contribution to the colonial revenues	99,052
	605,318
III. Expenditures for Curaçao :	
Salary, etc., of governor	20,508
Pensions for former governors	5,400
Army for defence of the colony	177,000
Pensions, etc., for former members of the army	31,000
Contribution to the colonial revenues	48,888
	282,796
IV. Pensions of officials of former possessions on the Coast of Guinea	11,869
V. Other pensions, etc.	28,942
VI. Unforeseen expenditures	40,000
Total	1,206,604

*Staatsbegrooting, 2 X, 1.*

TABLE B.

## BUDGET OF THE DUTCH EAST INDIES, 1899.

## REVENUES.

[000 omitted.]

*Direct taxes :*

a. Land revenue from natives (mainly land tax)	18,234
b. Land tax on non-natives	2,138
c. Business tax, Orientals	3,026
d. Business tax, Europeans	970
e. Tax on personal property	927
f. Tax on vehicles	280
g. Tax on public sales	685
h. Poll tax	3,146

*Other taxes, etc. :*

i. Stamp duties, succession and transfer taxes	2,000
j. Import and export duties	10,887
k. Excise taxes	7,974
l. Receipts from education (school fees)	492
m. Port and wharf dues, pilotage, etc.	802
n. Post and telegraph	2,289
o. Miscellaneous	2,677

*Sale of products by the government (gross receipts) :*

p. Coffee	14,170
q. Quinine	149
r. Tin	8,318
s. Other products	2,151

*Monopolies :*

t. Opium	18,916
u. Salt	8,807
v. Other revenues farmed out	3,243

*Other receipts :*

w. Receipts from the State forests	2,656
x. Railroads and tramways	11,980
y. Lease of land and buildings	1,641
z. Miscellaneous receipts	4,184

Total 132,743

## SUMMARY.

	Amount.	% of total.
Taxes, etc	56,527	42.6
Sale of products	24,789	18.7
Monopolies	30,965	23.3
Other receipts	20,461	15.4

132,743 100

*Jaarcijfers, Kolonien, 102, 103, 104.*

## TABLE C.

## BUDGET OF THE DUTCH EAST INDIES, 1900. EXPENDITURES.

[ooo omitted.]

	I. In the Netherlands.	II. In the Indies.
I. Superior Government	fl. 37	1,108
II. Justice	70	5,330
III. Finance	13,054	12,824
IV. Internal Administration	986	29,558
V. Education, Religion and Industry	1,262	16,625
VI. Public Works	3,763	21,889
VII. War	5,247	25,254
VIII. Navy	3,669	4,574
IX. Contribution of Dutch India to the Treasury of the Netherlands	"Memorie"	-----
Total	28,088	117,162 28,088
Grand total		145,251
Estimated revenues		141,931
Deficit		3,320

*Begroeting van Nederlandsch-Indie, No. 8, No. 22, Memorie van Toelichting.*

TABLE D.

BUDGETS OF SURINAM AND CURAÇAO, 1900.—EXPENDITURES.

[000 omitted.]

	Administration.	Justice and Police.	Administration of Finances.	Religion, Education, Poor, etc.	Public Works.	Pensions, etc.	Unforeseen Expenditures.	Local Expenditures.	Militia at Paramaribo.	Immigration.	Colonial Marine.	Total.
Surinam---	149	356	302	526	452	218	50	---	7	48	317	2,424
Curaçao---	77	118	54	115	65	158	20	79	---	---	---	685

## REVENUES.

	Import Duties.	Excise on Liquor.	Leases of State Land.	Deductions for Pensions.	Gold or Export duties	Stamp Duties.	Postal Receipts.	House or Land Tax.	Income Tax.	Contribution from Dutch Treasury.	Special	Other.	Total.
Surinam---	1,100	200	131	87	63	42	32	49	62	128	242	288	2,424
Curaçao---	110	93	24	28	17	13	74	87	---	83	---	156	685

*Begroeting van Suriname, No. 6, No. 9, do. Curaçao, No. 6, No. 9.*

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## ITALY'S EXPERIENCE WITH COLONIES.

The Italians have had no time to work out a system of colonial administration. Italian expansion is a phenomenon of the last fifteen years, and its decisive and disastrous conclusion a happening of yesterday. It presents nothing more to the student of administration than a series of tentatives whose action, whether for good or ill, has been repeatedly impeded and crossed by the shocks of war. There has been no chance to evolve a consistent, characteristic line of policy. No judgment passed upon such an incipient system can be final; it cannot hope to attain the accuracy of one pronounced upon a system that has been for decades or centuries in the process of development and correction, under conditions of peace or, at least, of periodic peace.<sup>1</sup> The study of beginnings is not, however, without its instructive side, nor is the Italian colonial policy without its distinctive results.

The first foreign possession of United Italy was the bay of Assab, on the Red Sea, purchased through the agency of the Rubattino Steamship Company (Nov. 15, 1869); the object of the purchase was to acquire a station on the new route to the Indies and also to develop the commerce of Arabia and the interior of Africa. The Italian government finally paid two-thirds of a million lire for this sterile tract, to which it gave no more attention until the period of colonial fever set in.

<sup>1</sup> The following sketch will be found defective in matter of detail; it has been impossible to secure in time the data necessary for an exhaustive treatment of taxation, etc. The writer has been forced to deal merely with the generalities of the case, supporting himself with such figures as are available.



This phase was suddenly initiated by the Italian occupation of Massowah (Feb. 5, 1885). Considerations of national vanity, race-pride and "megalomania", brought to the fore in consequence of this unopposed movement, spurred the nation to an activity which by 1891 had augmented the Italian possessions and protectorates to the following number :

POSSESSIONS.<sup>1</sup>

	Square miles.	Population
Country around Massowah, with Keren and Asmara-----	3,100	250,000
Dahlak Archipelago-----	420	2,000
Assab Territory-----	550	6,800

## PROTECTORATES.

Territory of Habab, Bogos, Beni-Amer, etc.----	18,000	200,000
Territory of Afâr or Danakil, including the Sultanate of Aussa-----	34,000	200,000
Somali Coast (Obbia, etc.), with a tract of interior country extending to Wadi Nogal and Mudug.	90,000	300,000
Kingdom of Abyssinia (Tigré, Lasta, Amhara, Gojam, Shoa, Kaffa, Harrar, etc.)-----	190,000	5,000,000
	<hr/> 336,070	<hr/> 5,958,800

Subsequently, the Sultan of Zanzibar ceded to Italy all his powers over the four ports of Brava, Merca, Magadishu and Uarsheic for thirty years, for the sum of 100,000 rupies (about \$47,000) per year (Aug. 12, 1892); and the English gave over the administration of Benadir for three years (from July 16, 1893) to the commercial establishment of V. Filonardi and Company. In the course of later hostilities, the Italians came into possession of extended territories watered by the Juba, Uebi, Shebeli, etc. Cassala was occupied in 1894, together with Coatit and Senafé; in 1895, Tigré was annexed. Some of the above protectorates, therefore, had by 1896 come to be regarded as possessions.

<sup>1</sup> From Prof. Guido Cora, "Statesman's Yearbook," 1891.

In consequence of the disasters of 1896, the protectorate over Abyssinia no longer exists, districts taken from the Abyssinians have been restored, and Cassala has been handed over to England. Little interest is displayed in Eritrea; the colony is now regarded as a necessary burden.

In the administration of her possessions, Italy set out with the purpose of avoiding all the errors which the historians of colonization point out in the various national systems. And it must be said that the form of administration devised, especially that due to the spirit and initiative of Gen. Baratieri, was liberal and progressive. But, as a matter of fact, all these good intentions were little better than wasted on Eritrea; they were worthy of a better field of application, where ill success would have been less certain. Without entering into detail, it may be said that Eritrea, with the possible exception of some limited and distant parts, was utterly unfit for agricultural or plantation colonization, and that as a commercial station, the colony could arouse no well-grounded enthusiasm. No amount of encouragement sufficed to allure to Eritrea an emigration of either men or capital. Indeed Italy was in no position to invest capital outside her own boundaries, while her labor was the kind whose emigration is rather a flight than a display of personal initiative. She was in no way ready to undertake colonization.

The general trend of events could easily be prophesied from such conditions. The Italian government, far from profiting by Eritrea, has for the most part, been intent upon reducing the colonial deficit to nine million lire per annum, and has succeeded none too well in the endeavor. It is estimated by Brunialti that her "colo-

nies " had cost Italy about 500,000,000 lire and 10,000 men up to 1897.

During the early nineties the colony was gradually advanced to an autonomous administration, and to the management of its own finances. The imperial government is represented by the governor and three counselors. Under the administration of Baratieri, who was appointed governor in 1892, the colony was divided into the district of Massowah, where the administration, judicial, social and political, was carried on as in Italy, and into dependent territories, where native laws and uses were respected and applied as far as possible. The native dues, etc., were of a distinctly feudal type.

Up to Jan. 1, 1890, there was no special account for the colonies; at that time a colonial budget was instituted, being appended to that of the department of Foreign Affairs. In 1892, certain powers, exercised by the Italian minister of marine in the colony, were discontinued, and the corresponding accounts transferred to the colonial budget. Gradually there were added to this colonial balance other items formerly entered under the heads of finance, treasury, posts and telegraphs, and public works. An expense of about eight millions was thus recognized as necessary for all these services for which provision has at first been made fragmentarily, and which were now brought directly under the eye and responsibility of the Governor.

In spite of Baratieri's wise regulations, the colony could pay only a small annual sum toward its own maintenance, the deficit being advanced by Italy. The following tables<sup>1</sup> will give some idea (in thousands of lire) of the colonial receipts and expenses:

<sup>1</sup>These tables are constructed from figures given in the "Statesman's Yearbook" and the "Almanach de Gotha"; they serve, of course, merely to illustrate the general character of the budget.

	Receipts from col. [ooo omitted.]	Expenses.	Deficit.
1890-1-----	1,520	3,167	1,647
1891-2-----	1,326	2,376	1,050
1894-5-----	1,448	2,234	786
1895-6-----	1,700	2,349	649
1897-8-----	1,900	-----	-----
1898-9-----	2,492	2,864	373

These figures do not, however, indicate the real drain on the Italian treasury during the period; costs connected with the maintenance of colonial troops, with military operations, etc., raise the figure perceptibly.

Total cost to Italy (in thousands of lire):<sup>1</sup>

From seven to eleven million lire are spent yearly in merely maintaining the colonial army. In the discussions over the colony and the colonial policy, the burden on the treasury has been generally estimated at twenty millions, and the most sanguine have not hoped to reduce it below seven or nine millions, in times of comparative peace. For a miserably overtaxed and debt-burdened country that pays about one-third of its money as interest on debt and spends another third on its army and navy, such a colony is something of a luxury.

The Italians expected remarkable services from Eritrea in the direction of amelioration of conditions of emigration, of the building up of the merchant marine and of the development of commerce. Little service has been rendered, however, in any of these particulars. For a time it was hoped that the colony could be made to pay

<sup>1</sup> Including expenses of military occupation, posts and telegraphs, railroads, etc.

1891-2-----	15,898
1894-5-----	13,728
1895-6-----	123,738
1896-7-----	48,970
1897-8-----	19,800

its own expenses, but at present that idea also seems to have been abandoned. Certain considerations of national pride prevent a withdrawal from Africa, or a severe limitation of present boundaries.

The distinctive feature of Italian colonization has been the artificiality of its development. Conditions favorable to a natural development were absent both in Italy and in Eritrea; and, although details of management, etc., may have been wisely ordered, it is clear enough that Italian colonization has been practically a complete loss and failure. Other states think, perhaps, that they can afford to pay for the privilege of civilizing savages, developing through colonial possessions their trade and marine, and entering the circle of the colony-holding "Great Powers"; but the example of Italy should warn small and poor states from an undue expansion, and should cause the wealthiest nations to consider well the character of proposed possessions before embarking upon a policy which implies a reversal of the natural order of development, and whose hoped-for advantages have, in Italy's case, been shown so entirely illusory.

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## SPANISH COLONIAL POLICY.

### I. THE GENERAL POLITICO-ECONOMIC POLICY OF SPAIN.

Spain, like other European nations emerging from the mediaeval period had no distinctive economic policy, except as it was incident to and dependent upon a definite political policy. The latter was dependent in turn upon the processes of national development the first step of which was integration followed by expansion and aggrandizement. In seeking to build up national life at home and defend national existence abroad, certain economic principles were involved in the financial operations of the Spanish nation. To no greater extent than this could Spain claim an economic policy and so impressed were her rulers and her people with the methods of national aggrandizement prevailing then that the national policy of the sixteenth century has never been entirely relinquished.

The integration which took place in Spain which resulted in making a strong centralized government began with the union of the parts of the territory; it was followed immediately by the long struggle of the crown against the nobility, then by the struggle of the towns for rights and privileges and finally by the struggle against the provinces in behalf of the unity of the nation. Spain came out of this struggle fully amalgamated, a strong imperial government capable of exercising arbitrary power. The internal struggle to establish unity with a national life and character was supplemented by an external struggle for national existence, in defense against encroachments of other nations. This involved new financial conditions and new financial opera-

tions. As the old feudal state declined and passed into the new modern state there was need of an army and navy, a fund of available wealth and a method of providing for the accumulation and expenditure of the same. Thus the affairs of the nation pertaining to the conditions of political existence and growth, involved the regulation of finance and trade, of coinage, of credit and industry. For the same reason, that is, of building up the national prestige, and glory, the imperial government sought power and wealth through conquest, commerce and trade.

From this aggressive nation building and defensive warfare by a settled policy and distinctive formula, most of the nations of Europe emerged into a larger life with increased intelligence in the management of their affairs. That is, from the general formula of politico-economic action they came into freedom of economic and political life. They allowed the development of economic ideas, and the freedom of economic life without the blight of economic restriction, and cherished the progress of political liberty.

The policy of every nation has been that of selfishness, which when not carefully guarded has frequently resulted in the injury of the nation practicing it. The action of Spain has been most reprehensible in this respect. Her selfish isolated life has not been due entirely to her position, living outside of the trend of European affairs. For the struggle of Spain with the Moors for over eight centuries drew away the nation from other enterprises which would have given it a larger life. The life of the nation was developed through the re-conquest and expulsion of a dominant foreign race. It was this struggle on a common basis of liberty

that unified the various elements of the Spanish nation into a common central government. At an early period of this national existence the liberties of the people were entrusted to the Cortes, composed of the clergy, the greater barons, the lesser barons, the deputies of the towns, except in Aragon and Castile where it was composed of the nobility, the clergy and the representatives of the cities. In the beginning of the sixteenth century the Cortes was a powerful body and assumed to dictate to kings who were mindful of their decrees. Also whole provinces had privileges granted them from time to time which they cherished as marks of freedom. Spain thus had all of the elements of constitutional liberty in her national foundation. Ordinarily the normal outcome would have been the development of enlightened government of the people. But the monarch representing national unity, continually augmented his power at the expense of the liberties of the people. The "time honored institutions" gave place to centralized power—to imperialism. More than in anything else, the destiny of Spain rests in the fact that in securing national unity the rights and privileges of the people were lost.

The evil was greatly augmented by the religious element that entered into national structure. That the reconquest of Spain and national unity were obtained through a religious war had a life-long influence on the destinies of Spain. It set the type of national politics forever, for the church became the instrument through which kings were wont to exercise their arbitrary power. The close union of church and state made political and religious unity identical. Thus did the conservatism and authority of the church become a strong ally to the imperialism of the crown and religious and civil liberty

of the people went out together. It is necessary to refer to the inquisition because at home and abroad it was used to perpetuate imperialism and suppress the natural development of government. This instrument of torture which for a time oppressed the liberties of the people and added to the power of prelate and king, eventually became a blight on the national life and character. If its original purpose was to extend the beneficent influences of the gospel, it became a machine for the enforcement of political and religious obedience. Not only did it prevent the development of free government, but it suppressed the civil liberty of the people, and interfered seriously with the advancement of arts, industry and commerce. He who considers the politico-economic policy of Spain, must reckon with the religious element for the monstrosity of civil and religious despotism extended to the distortion of economic practice. The bigoted political government produced bigoted, arbitrary and ruinous politico-economic and financial policies.

#### COLONIAL METHODS.

Having reached the height of imperial power the Spanish monarchs encouraged exploration, conquest and colonization in America, although in so doing they took great care not to involve themselves in any great expense. For nearly every one of the early expeditions was fitted out at private expense, the king of Spain paying for the same in titles and grants in the new kingdom. Cavaliers and grandees were zealous in conquest and exploration and spent their ducats freely with hope of larger gain in titled rank and territorial grants. The king of Spain now assumed to be the owner of all newly discovered lands and mines and



claimed one-fifth of all treasures gained by exploration. He re-granted the land to his subjects who were in a way his feudal vassals, although formal feudalism was fast passing away. In this, several ideas are involved ; first, that the discovered country should be a part of the kingdom of Spain ; second, that all revenues arising from the new country should flow into the home treasury ; and third, that the colonies when established should contribute to the support of the home government. In order to secure this a perfect monopoly of trade and commerce as well as a system of oppressive taxation was established by the home government. The crown, assuming to be the proprietor of the new lands and desiring to control all trade and commerce of the colonies, found it necessary to force the trade through given channels upon all colonists. The crown having absorbed all the functions of government, assumed the proprietorship of the soil, and essayed to control all industries and trade, a colony established under such a regime could be nothing else than the extension of the royal domain under the imperial power. The new territory was but part of the royal domain of the Spanish monarchs, the laws of the colony were made by the home government, the liberties of the colonists were absorbed by the arbitrary power of bigoted monarchs who considered that colonies were made for the exclusive use of the home government. To such an extent were these principles carried out that they were a thousand times detrimental to the Spanish nation. In seeking to grow wealthy and powerful by the arbitrary control of the sources of wealth and the channels of commerce, Spain crippled her best industries, distorted her best life and prevented a normal development of a modern

nation in which the rights and liberties of the people were recognized and promoted.

In order to carry out these principles and plans, the crown of Spain established two great agencies for the government of colonial America, the more important of which was the "Council of the Indies," which had jurisdiction over all the affairs in Spanish America. After the method of ancient Spanish government this council had judicial, legislative and administrative functions. These departments of government were not so clearly defined as in the modern civil government of England and America. Hence it was that the Council of the Indies could hold court as a judicial body to-day, to-morrow it could sit as a legislative body making laws for the government of the Indies, and all of the time could administer the affairs of the Indian government. Yet it must be remembered that the Council of the Indies was only an agency of the king to merely carry out his own designs. No doubt the Council had force in its deliberations and rulings, yet the king usually exercised the veto power to his purpose or took the initiative in legislative or judicial action. While the chief service was political it exercised a general oversight of all colonial affairs. As before stated, there being no separation between the political and economic phases of national life the body that controlled the general government controlled the common trade and finance of the nation.

However, to especially control trade another organization was formed known as the *Casa de contracion*, or India House, which was established at Seville in 1503. It took complete control of all of the affairs relating to economic life, to trade and commerce. It not only determined the rules of action controlling trade but it had the practical supervision of the trade and commerce ex-

exercised under general laws or decrees of the king. Everything that touched trade, from the loading of a ship to the regulation of ports and the direction of the course of trade, came within its jurisdiction. Its organization included a president, secretary, treasurer and general agent, and three commissioners, as well as other officials and ministers who from time to time might be provided for by law. To illustrate the power of this organization it may be said that the three commissioners were judges of cases involving the violation of laws of trade, and as such became a special department in the judicial system of Spain. Consequently, because trade touched many phases and departments of life, the India House, whose work was largely economic, finally extended its jurisdiction to cover all parts of social, political and commercial life, so far as they related to trade in any way whatsoever. Only in a measure was it subordinate to the Council of the Indies, and many times because of its management of practical affairs was it ten times more powerful.

With this governmental machinery for the control of colonial affairs for the purpose of enabling Spain to gain all the benefit of the wealth of the colonies and to enjoy the whole benefits of trade with them, plans were made for the execution of this gigantic and unnatural scheme. In the first place a rule was made that all trade leaving Spain for the colonies should pass through Seville<sup>1</sup> that a careful account might be given of everything done. Also on the American coast Porto Bello and Vera Cruz were made the receiving and distributing stations, the former for South America and the latter for Mexico, for all goods exchanged between Spain and her colonies. It was as necessary to force all trade into one

<sup>1</sup> Subsequently this monopoly was given to Cadiz.

channel in America as it was to thus force it in Spain. Hence it was necessary to create a government in the colonies typical of the government of the mother country to carry out the formal regulations of the latter. This consisted of a viceroy at the head, supplemented by captains-general, governors-general, audiencias or courts aided by the religious bodies, and the inquisition,—in fact there was created a complete government with the various officers designated for specific purposes. But this government was created by the mother country, controlled by laws of the mother country, officered by the same country all for her own specific, economic, and commercial benefit. Although the home government endeavored in many cases to ascertain the actual conditions of the colonies and to make laws for their benefit, the great distance between them as well as the actual difference of life and conditions between the mother country and her colonies, caused the making of many useless laws which in the end were highly detrimental to both Spain and Spanish America.

In the attempt to make the trade with the colonies yield a direct advantage to Spain, a system of oppressive taxation was established which included a duty of three and a half per cent. of all goods carried, which in 1587 was raised to seven per cent., and again in 1644 it was advanced to twelve per cent. This was merely for the expense of conduct from Spain to America, for as the mother country had undertaken to control the trade its next step was to guard it, to prevent smuggling and piracy. For this police work the government made the traders pay dearly. Besides this there were other taxes on exports and imports for ordinary revenue. Spain had taken the entire monopoly of the carrying trade, had forbidden colonists to buy goods of other nations or

of each other. This not only cut off the colonists from intercourse with other nations but prevented their becoming supports to each other in facing the difficulties of the New World.

To make these regulations still more effective the home government forbade the colonists to raise any products that could be raised at home. Notwithstanding the defective conditions of trade, the real failure of the politico-economic policy of Spain is more evident in seeking to gain wealth out of mines and trade to the neglect of agriculture. In this they followed the theories expressed in the mercantilist doctrine prevalent in the seventeenth century, which sought to gain wealth by exploiting mines, promoting trade and neglecting agriculture.

By this theory the wealth of the community is increased only according as it accumulates a large amount of precious metals and retains the same within its borders. Not content with an attempt to lay extra stress upon the development of trade and mining the home government sought to cripple the attempt of the colonists to carry on agriculture. To favor home producers it was forbidden to cultivate tobacco in the colonies, and in Buenos Ayres the colonists were not allowed to cultivate the olive and the grape for the market. In 1703 it was ordered by royal decree that all vines should be rooted out of certain provinces because the merchants of Cadiz complained of the falling off in the consumption of olives. It was forbidden to raise hemp, flax and saffron in the colonies because it interfered with home industries. In short, the universal principle was adopted, and everywhere and always carried into practice if possible, that whatever colonial occupation interfered with home industry was to be destroyed directly by law or



taxed out of existence. Had the Spanish nation favored agriculture and the colonists been half as zealous to make the fertile soil of the rich valleys of Spanish America yield its treasures of wealth, as they were to plunder the natives and exploit the mines it would have increased the national wealth through permanent resources and changed the destiny of Spain. But in this as in other things Spain persisted in lagging a century behind other nations who knew the value of the products of the soil.

One other persistent element of national failure was the officialism that cursed the Spanish colonies from the establishment of the first settlement in Hispanola until the final withdrawal of the Spanish rule in America. Not content with making the government to rule, and the laws to control, not content with reducing the local government of the colonies to a minimum, Spain insisted in sending out a horde of hungry officials to take all that was left after taxation and restriction had done their worst.

All the laws controlling trade, commerce, agriculture, finance, taxation, the foundation of municipalities, the management of the natives, the control of mines and the regulation of religion, were made in the mother country and sent to the colonies with the expectation that the latter would adapt themselves to the laws. Nor did the decrees of the crown and its agencies stop here, but the home power organized the colonial government, local, and central. To work this machinery of government the officers and rulers were natives of Spain sent out to rule these distant dependencies. During the Spanish domination in America, nearly all of the important offices of the state and church had been filled by Spaniards. The presidents and the judges of the

courts were from Spain. There were only eighteen Americans out of 672 viceroys, captains-general, and governors, and 105 native bishops, out of 706 who ruled in the colonies. This system of officialism continued in all of the colonial possessions of Spain to the close of the present century. It was strangely marked in Cuba and Porto Rico at the time of the occupation of those islands by the United States.

Thus the independent life of the colonies was destroyed and the barriers against development were set up. It was really a strange attitude for a nation to assume, that of making the newly discovered territory a part of the royal domain, to extend over it the system of government practiced by the home government, to supply its officers and courts,—in fact to make it part and parcel of the nation, and then turn against it, to exploit and rob it, as if it were an enemy of the nation. But such a short-sighted policy could only result in prevention of healthy colonial life, and in the final destruction of Spanish power in America.

The establishment of central authority and the attempt to govern arbitrarily the Spanish colonies regardless of their interests proved a burden to the nation that improvised the system. The policy of promoting trade became a means of hindering and destroying it. It established commercial prices and controlled trade, but in so doing it prevented the development of wealth and finally forced commerce into the hands of foreigners. Had freedom of trade been established between the colonies and Spain and other nations, the colonies would have proved a source of permanent benefit to Spain, instead of the means of her downfall. Had the colonial trade been turned over to the world, Spain would have prospered under the greater share of

this trade owing to the prestige she exercised in the New World. As it was, the failure to develop vital and vigorous colonies with an independent life and a wealth-creating power and the repression of wholesome trade brought poverty instead of wealth to both parties. Moreover the colonists, treated as children and slaves under an oppressive officialism, were rendered powerless to defend the mother country in her time of direst need. Thus the corroding rust of selfishness ate out the vital power of constitutional liberty and destroyed not only the political but the economic life of the Spanish nation. The monopolizing of commerce aroused the jealousy of other nations and smuggling became the rule. Spain could not police the high seas with sufficient force to protect her commerce, nor could she prevent the colonists from evading the laws nor the officials from robbery.

The first formal breaking down of the barriers of trade by other nations began through the slave trade. After Las Casas had, in 1517, advised the use of the African slaves in place of the native Indians, a large trade sprang up in negroes brought from the African coasts. In 1516 the slave trade was formally opened by granting to one, Chevis, the exclusive privilege of the carrying trade, who in turn sold the right to a company of Genoese merchants for 2,300 ducats. Subsequently special privileges of this nature were granted to different individuals, some of whom entered into a contract or *asiento* to deliver a certain number of slaves at the different ports of the colonies. This traffic became a source of revenue to the king, for the contracting companies paid a liberal royalty for the monopoly. Finally, in 1713, an English company entered into a thirty-year contract to deliver within this time 144,000 negroes into

Spanish America. Extensive privileges of trade were granted this company in addition to the slave trade, as it was permitted to send one five hundred ton ship laden with merchandise each year during the term of the contract. In the latter provision the king looked out for his own interests, for he was to receive one-fourth interest in the enterprise besides five per cent. of the net gain on the remaining three-fourths. But the grant to trade given this company was the beginning of dissolution of Spanish exclusiveness and restriction. Other nations soon followed England and carried on trade by smuggling when they could not obtain the right by law. The severe laws which inflicted punishment by death and confiscation of property upon all persons caught buying contraband goods were of no avail, for the necessities of the colonies were great. When the Spanish government insisted that all goods sent to Mexico should be sent through Vera Cruz and all goods sent to Buenos Ayres should be sent to Porto Bello and down the Pacific coast to Peru, and thence over the mountains through Brazil to an Atlantic seaport, it was more than human nature, even in the Spanish colonist, could endure and he sought ways to circumvent it.

Desperate efforts were made to prevent smuggling, but the foreign nations continued to furnish, through open trade and by smuggling, goods to colonists at a price so much less than in the ordinary course of the Spanish monopoly, that the carrying trade of Spain declined, the manufacturers were driven to other countries, and the Spanish gold and silver flowed into foreign coffers to satisfy foreign laborers and manufacturers.

It was not until the last half of the eighteenth century that Spain, after nearly two centuries of fatal mismanagement was finally aroused to the real situation. She hast-

ened to change her course so that ships were allowed to depart from the principal ports of the new world, and in 1774 a law was enacted permitting the colonies to trade with one another. Yet Spain still tried to control the trade of her colonies in her own interest and granted only limited concessions to other nations. In 1778 a new commercial law was framed for the control of colonial trade, which proposed to provide for "the free commerce of Spain with the Indies." While this was an improvement, yet with all of the profession of free trade, the system was burdened with taxes, licenses and restrictions upon foreign commerce. But the revival in Spain came too late for politics and economics, for the inertia of mediaeval practices bore Spain forward to destruction. Not only was the trade with the colonies slipping away from the mother country, but her colonies were hopelessly and irretrievably lost to her. In the competition of life, nations as well as individuals have their opportunities, which if rightly used lead on to prosperity and progress. With Spain the remedial measures were inopportune; they came too late.

But if the destructive and selfish policy of Spain ruined her political and commercial institutions, the effect on the colonies was still more deplorable. The prevention of intercolonial trade, and the favoritism of certain ports like Lima, Vera Cruz, Panama, and Porto Bello, at the expense of other more obscure portions of the territory, were destructive to all thoughts of national development. By the excessive tariff on goods, certain obscure colonies were excluded from the enjoyment of the common comforts of life and were forced to begin anew the struggle of civilization along with their savage brethren of the forest. It forced them to live a miserable life without hope, powerless against the ele-



ments of nature and the oppression of bigoted government. The discontent and wretchedness was increased by the effect of the government of the wealthy officials and grandees who ruled with rapacity and cunning over weak populations. Thus did Spain by her ruinous protective policy in agriculture, industry, and commerce, and by the perpetuation of her mediaeval government, destroy trade and manufactures, depress agriculture and cut off all possibilities of rational development of her colonies. Such may be the fate of a nation that blindly and arbitrarily interferes with economic conditions.

How different it is now in the prosperous republics, once the colonies of Spain, though cursed by a benighted policy for three hundred years! Behold the flags of all nations flying in their ports, carrying the best products of England, Germany, and the United States, into every republic, and these by aid of water and rail, carried to the remotest districts of the vast territory once dominated by the Spanish kings. Education, newspapers, electricity, steam, the luxuries of the old world, the investments of accumulated capital of other nations all are rapidly transforming these once antiquated colonies into new and vigorous republics. And the resources of nature, the forests, mines, the fertile soil, and broad pastures, are yielding rich returns to those who are industrious in labor and patient in waiting. While the contrast between the old régime and the new is vivid, while the advancement in the last half of the century has been rapid, and while the ideal conditions of life are not there, except in a few choice locations; still those who have formed the habit of scoffing at Mexico, and the young republics of South America, should cease to scoff, and study and wonder at the rapid transformation, since

their independence, of the marvelous resources of the country, and the bright prospects of the future !

#### THE FISCAL SYSTEM OF THE EIGHTEENTH CENTURY.

It is easy to infer what the colonial financial system of Spain must have been under the conditions of government like those that have been pictured. That the colonies existed for exploitation by the home government may not have been fully acknowledged but was practically carried out by the methods in vogue. The colonies were managed as a part of the realm and the national government was responsible for their expenditures even as a father is responsible for his minor children. It was but natural that all incomes arising out of the colonies or in any way accruing on account of them should flow directly into the Spanish treasury. The small show of local government demanded little expense and few taxes were collected and expended on local authority. The tax on the imported goods went on increasing from year to year in accordance with the needs of the home government. This tax on exports and imports fell heavily both upon the proprietors and the Indians. In the seventeenth century Spain demanded duties on playing cards, alum, copper, hides, quicksilver, gunpowder, ice, and salt. In addition to this were the duties on silver and gold and *pulque*, a drink used by the natives. The Bull for the crusade was collected every two years of every inhabitant, the *acabala* or the tax on the sale of effects was five per cent. and later increased to fourteen. The duty on the exportation and importation of merchandise (almajanfazgo) averaged about fifteen per cent. The tax for the convoy of ships averaged about two per cent. of the value of the freight payable by the importer. But taxation did not stop here for the tax

on the right to coin money flowed into the king's coffers along with one-fifth of the income of mines which was later reduced to one-tenth. Also with these went one-half of the ecclesiastical annates and the king's ninth collected from the bishoprics. Nor did the Indians escape on account of their social differences for each one paid thirty-two silver *reals* each year besides four for the king's service. But this did not include the entire category, for the church came in for the local taxes. The above mentioned were for the king and his government but the clergy took what was left in parish rates, tithes and other forms of taxes by means of which the churches amassed enormous wealth in Spanish America. So great was this later drain that it alone took enough of the wealth from the country for non-productive purposes to prohibit any normal business arising from the rest of the free capital of the country. In brief the financial policy of Spain in the sixteenth and seventeenth centuries was for the government to tax everything to its fullest extent, and the revenue thus raised was to be exploited by its officers from the king down to the *alcalde* of the town. Whatever of income was left was then taken by the church. Thus the colonists paid practically all they had and the national government continued to lose its territory, go in debt and multiply the number of officials and *grandees* with interminable titles.

#### PROGRESS IN THE LAST CENTURY.

The Spanish government made various changes in constitution and laws from time to time and yet the relation of the mother country to the colonists changed but little as respects liberality of trade, commerce, taxation, and officialism. Whatever of improvement took place in

the fiscal system of the home government was eventually tried in the colonies as they were considered provinces of the kingdom or, in fact, parts of the empire of Spain. It was not until the beginning of the present century under the influence of the constitution that the old laws which originated with the Romans and built up through Teutonic and Arabic influence began to decline, and a new scientific classification of the laws began to appear. Nearly a century has been devoted to the organization of the laws and the establishment of a system of a constitutional government in Spain, many of these attempts only increasing the confusion owing chiefly to two facts, one, that in legislation the reorganizers were not clear and positive in repealing the old laws, and second, that the conservatism of the Spanish people made them slow to adopt new methods of procedure. Without referring specifically to the development of the Spanish codes it may be said that after the adoption of the constitution of 1811, frequent revisions of codes have taken place until the final revision in 1888. The present civil code was extended to the Philippines, Cuba and Porto Rico in 1889. The present constitution of Spain was adopted in 1876 and extended to the colonial provinces in 1881. In this organic law provision is made for the government of the colonial provinces by stating that they "shall be governed by special laws: but the government is authorized to apply to them, with the modifications it may deem advisable, and informing the Cortes thereof, the laws enacted or which may hereafter be enacted for the Peninsula." In fact, the Spanish civil, criminal, and commercial codes are the codes in use in the colonial provinces without practical change. Various differences exist in regard to

the application of common and statute laws, but these differences are greater in some of the provinces of the Peninsula than in the insular provinces. The constitution provides for the representation of Cuba and Porto Rico in the Cortes "in the manner determined by special law, which may be different for each of the two provinces." This representation was resumed in 1878 after an interval. The central government also determines "when, and in what manner the representatives to the Cortes from the island of Cuba are to be elected."

The constitution provides further for "Provincial Deputations and Municipal Councils." The law of Spain determines the manner of election of these, but both municipal councils and provincial deputations of each province or town "shall be governed by their respective laws."

This appears like a fair promise of local self-government, but in fact, the government of the peninsula so overshadowed the insular governments that in reality it was the government of the provinces. The following provision in the constitution shows the imperial rule of the monarchy: "said laws, (*i. e.*, of councils and deputations), shall conform to the following principles: 1. Government and direction of the private interests of the province or the town by the respective corporations. 2. Publication of the budgets, accounts and resolutions of the same. 3. *Intervention of the king*, and in a proper case of the Cortes, to prevent the Provincial Deputations and the municipal councils to go beyond the limits of their powers to the *prejudice of general and permanent interests*. 4. Determination of their powers with regard to the budgets, in order that the provincial and municipal budgets may never be in *opposition to the tax system of the state*."<sup>1</sup>

<sup>1</sup> The italics are by the writer.



The tendency of Spanish government has been to make a show of liberality in constitution and in law, but to allow arbitrary usage based on tradition to prevail. It is just this practice that has caused the trouble in Cuba and Porto Rico, principally in the former. With all of the privileges granted by King and Cortes from the ancient decrees found in the *Recopilacion* of the laws of the Indies to the modern codes and constitution, Spain ruled with an iron hand in the colonial provinces and controlled law, government, finances, taxation, everything through a blighting officialism emanating from royal prerogative and more progressive Cortes. Even the famous autonomy government promulgated Nov. 25, 1897, gave ample opportunity for the continuation of the old Spanish régime in the island, should the powers of the peninsula wish to be arbitrary. The whole powers of the government rested ultimately with the governor-general, who was appointed by the crown, or with the Cortes, which could limit or annul the action of insular chambers. It appears from a review of this autonomy government that Spain has no conception of a free government as understood by England or the United States. The imperial authority simply says, "you may *play* free self-government, but let it be distinctly understood that I hold the reins and will tell you *how* to play." No greater subterfuge was ever attempted in politics than the decree of autonomy respecting Cuba by the home government. Subsequent events have rendered it unnecessary to place any importance on the document except to show that the government of Cuba was practically an extension of the government of Spain. While, indeed, there is a distinct colonial budget under the supervision of the minister of the colonies, the pro-

cedure in the colonies is always after the plan of the peninsular government and in reference to its needs.

#### SPANISH FISCAL SYSTEM.

It is, therefore, best to refer briefly to the Spanish financial system as a preparation to a clear understanding of the fiscal system of the colonial provinces. The constitution of Spain provides (title XI, art. 85) that "every year the government shall submit to the Cortes a general budget of the expenses of the state for the following year, and the plan of ways and means to cover the same, as well as the accounts of the accounting and application of the public funds, for their examination and approval." The law provides that this budget shall be made up, not by the ministry as a body, but by each minister making an estimate of the annual expenses of his department, which goes finally before the council of ministers for discussion. It is also necessary to propose plans for raising the revenue to meet the expenses before the budget is completed and referred to the Cortes.

The budget of expenditures is divided into two parts: first, the general obligations of the state, and second, the obligations of the departments of ministers. The first part is again subdivided into expenditures of (1) the royal household, (2) legislative bodies, (3) public debt, (4) charges of justice and indemnities, and (5) annuities and pensions. The second part is divided into (1) presidency of the council of ministers, (2) foreign affairs, (3) war, (4) marine, (5) justice, (6) interior, (7) public works, (8) finance, (9) expense of collecting taxes, and (10) the colony of Fernando Po. The budget of receipts represents six chief resources of income, as follows: (1) taxes, (2) imposts, (3) customs, (4) government monopolies, (5) properties and rights belonging to the state and (6) the public treasury. Each item of the budget is discussed

in both houses of the Cortes before an agreement is reached.

In order to provide revenue to meet the necessary expenditure an elaborate system of taxation prevails, as outlined in the six main heads above. Taxes are laid upon real estate and agriculture, industry and commerce, and the transmission of property, on consumption, salaries of government officials, railway tickets and transportation, and certificates of fidelity, tax on imports, exports, loading and unloading ships, travelers, quarantine dues, and colonial produce; on commercial paper, and stamped goods, tobacco, salt, lotteries, etc. Besides this the revenues are increased by income from the state tobacco monopoly, the rental of quicksilver mines and other state property, the payment for exemption from military services, and from the mint and the postoffice. These are the principal sources of revenue, but there are other items, such as money left to be expended for the repose of the soul, on which there is a tax of 12 per cent. It is interesting to note that the tax on industries varies according to the locality, the population being a great item in determining this and the nature of the occupation. According to a mediæval custom the taxpayers arrange themselves into companies according to their occupation and determine the proportionate amount of the total to be raised in a given district by a given occupation by each individual. That is, the guild or *gremio* is made responsible for the total amount at so much per capita. A guild may assess a number not more than eight times as much, or one-eighth as much as the average per capita rate. This custom of holding guilds or groups of people of a given occupation responsible for a certain amount of revenue is practiced in the colonial provinces in a more or less systematic manner.

## THE BUDGET OF THE COLONIAL PROVINCES.

The system of raising revenue in the colonial provinces is similar, almost identical, with that of the Peninsula. The sources of revenue are about the same and the method of assessment and collection of taxes vary but little from those of the Peninsula. The expenditures are along the same general lines and with the exceptions of the colonial government they run about the same. The budget is made up in the colony and sent to the home government for approval. The system of taxation is very oppressive on account of shifting of the excessive export, imports, consumption and business taxes and the evasion of many of the direct taxes by those who have the opportunity. Part of the income goes to Spain for the support of the colonial ministry and a part to the departments of navy and war, and other important expenditures of the general government. Thus the estimates in Cuba for the fiscal year 1888-1889 were 26,356,731.41 pesos (60 cents), of this amount 22,500,808.59 pesos represented the sovereignty expenses, and the balance of 3,855,922.82 pesos was for local government. There is an insular treasury into which revenues flow, and only a part of this amount is sent to the treasury of Spain, the rest is spent in Cuba carrying on that part of the government which is under the direction of the Spanish government. It includes expenditures for

(1) Interest on the public debt and general Ex. . . . .	12,574,709.12 pesos <sup>1</sup>
(2) Justice and religion . . . . .	329,072.63
(3) Expenditure for war . . . . .	5,896,740.73
(4) Expenditures for navy . . . . .	1,055,136.13
(5) Executive government . . . . .	2,645,149.98
Total . . . . .	22,500,808.59 pesos

<sup>1</sup> Spain has a colonial ministry for the control of the general affairs of the colonial governments.

Of the balance of the budget the local government estimates are for the following purposes :

(1) General expenses.....	159,605.50 pesos
(2) Justice and religion, charities and corrections.....	1,612,859.44
(3) Treasury.....	708,987.51
(4) Public instruction.....	247,033.02
(5) Public works and communication.....	1,036,582.10
(6) Commerce, agriculture, industry.....	108,178.52
Total .....	3,873,237.09 pesos

Of the general expenditure for the local government of the island, the large part, 133,380 pesos, goes for the support of the colonial legislature. But the largest items of public expense are the lower, ecclesiastical and territorial courts and police, the collection of taxes, the management of the treasury, public works, etc. The sources of revenue to meet these expenditures were :

Taxes and imposts.....	pesos 6,142,500 net
Custom house receipts.....	14,705,000
Internal revenue.....	1,640,650 net
Lotteries.....	1,900,500
Income rent of State property.....	112,000
Income sales.....	323,000
Miscellaneous (claims, coinage, accounts,).....	1,536,000

The method of making out the budget in Porto Rico, as well as collecting and expending revenue, vary but little from the method in Cuba. The budget approved by the Cortes at Madrid, Nov. 8, 1898 is as follows :

#### GENERAL BUDGET.

##### ESTIMATES OF EXPENDITURE.

General obligations.....	498,501.60 pesos <sup>1</sup>
Justice and religion.....	423,818.80
War.....	1,252,377.76
Treasury.....	260,800.00
Navy.....	222,668.20
General government, interior.....	878,175.83
Total .....	3,536,342.19 pesos

<sup>1</sup> Including expenses of colonial ministry.



These expenditures were to be met in the following manner :

Taxes and imposts .....	576,200 pesos
Custom house receipts .....	3,132,900
State monopolies .....	184,200
Property of the state .....	9,300
Miscellaneous revenue .....	36,900
Total .....	3,939,500 pesos

#### BUDGET OF THE PROVINCIAL DEPUTATION.

##### EXPENDITURES.

Administration .....	71,860.00 pesos
Lottery .....	23,180.00
Beneficencia .....	50,116 00
Miscellaneous .....	76,105.48
Post and telegraph .....	171,506.00
Sanitation .....	38,748.00
Public instruction .....	125,195.00
Public works .....	662,079.00
Colonization .....	3,910.00
Total .....	1,217,700.00 pesos

A review of these budgets will show at once the nature of the fiscal system, as to the methods of raising revenue and the expenditure of the same. It shows how great a factor the government of Spain was in the colonial system.

A careful examination of the affairs of Cuba and Porto Rico prior to the occupation of the United States reveals the fact that Spain had not abandoned her ancient methods and had not departed from the principles and practice of a colonial policy presented in the first part of this paper. The governor-general an emanation from the Spanish crown had a large appointive power which he used to the fullest extent. The provincial and municipal governments had some privileges but they were not practised. The municipalities including towns and the surrounding country had the privilege of

electing a mayor and council through a vote of the people. But as the population of the towns was in excess the councilmen and mayor always came from the town where the Spanish element was in control, so that native Spaniards nearly always held the power. More than this the governor-general nearly always appointed all of the municipal employees and *alcaldes*. The law provided that the council should choose these if the governor-general did not wish to do so. The municipal government which made a show of local independence could do but little without the consent of the central government, which was immediately subversive to Spanish rule. While it was provided that the council should regulate hospitals, jails, and police, among other municipal duties, it must all be referred to the governor-general for his approval. While the council and mayor must make up the budget containing estimates of receipts and expenditures it must be referred to the insular government and incorporated into the annual budget of the island which must be referred to the Cortes of Spain for its approval.

In the provincial government the same conditions existed so far as the power of the governor-general was concerned. He appointed nearly all of the officers and removed them at his will. It is true that the legal voters could elect members of the provincial deputations, also the deputies representing Cuba in the Cortes at Madrid. An excessive poll tax of \$25 reduced the representative voters to 53,000 at one time, and reduced the representatives of Cuba to three members out of a total of 430 at Madrid. The whole tendency was to make the representation of the insular governments in the cortes of the Peninsula merely formal and valueless. One-half of the senators sent to the upper house of the

Cortes were appointed by the crown, the other half were elected by the voters of Cuba. The colonial governments have been from time immemorial places for the disposal of favorites and hangers-on to the peninsular government. Thousands have been appointed with the understanding that it was a good way to recoup shattered fortunes or possibly recover lost character. What were the objects of these colonies, if not to be systematically and regularly robbed and plundered? It was well understood by officials that this was an opportunity not to be overlooked.

#### INSULAR FINANCES.

Referring to the budgets as given on a previous page, it will be seen that nearly everything was taxed in order to raise the extraordinary revenue for the support of the provincial, municipal, and central governments. Had the taxes been assessed equitably and collected justly without excessive expense, and the larger portion turned to the account of the colonial governments for their improvement instead of passing to Spain to support officialism, they could not have proved burdensome. But when taxes were an excessive drain upon the resources of the islands and a burden to their industries without giving any adequate return, the countries were on the road to bankruptcy. The revenues for the support of municipalities were raised by means of a consumption tax and a tax on industries, commerce and territorial wealth. All the fuel, food and drink coming into the town is taxed, an income is raised from licenses, rents, fines, and taxes on business. Also there is a tax on incomes of  $7\frac{1}{2}$  per cent. In addition to this, the state may make appropriations out of its treasury for the partial support of the municipality.

The customs duties of the insular governments represent the largest source of income for the central governments. The ancient principle of restriction is carried on to the detriment of both the crown and the colonial provinces. The goods from Spain were favored by a differential rate or tariff, placed upon foreign goods, making them much higher than those shipped from Spain. It is strange that after over three centuries of practice Spain could not yet have learned the evil results of such a policy! American, German, French, Belgian, and English goods were shipped under the Spanish label. Even American flour was sent across the ocean to Spain and returned to Cuba in order to avoid the excessive tariff. The result was to cheat the islands out of legitimate revenue and to furnish a poor class of goods at enormously high prices. (It is hoped that the United States in its first experience with insular provinces will not fall into the same error). The drain on the islands was excessive, for nearly everything consumed was imported. In addition to the loss in this direction a system of smuggling was carried on not only by outside parties but by the customs officials themselves, by means of which foreign goods were introduced and the benefits derived divided between the smugglers and the merchants, the consumers still paying enormous prices for the same. This ruinous policy was carried on in the supposed interests of the Spanish government. The tariff or revenue thus raised has been called the "sacred patrimony of the Spanish nation," and it has been officially and legally declared that the Cuban tariff has been conducted in the interests of Spain. The taxation on consumption has always been a grievous tax. It is of antiquated form and no longer in practice in the best systems of local taxation. The tax on business is

another form which should find no place in an enlightened nation unless in case of license for the purpose of police regulation. But Spain has insisted that any colonial subject that carried on business should divide the proceeds with the government. No sooner did a person discover and develop a mine than the crown seized a certain per cent. of the income. This law is found in the *Recopilacion*, dating from the time of Charles V, and has been handed down and practiced ever since. There is another burdensome registration or identification tax which every one must pay,—a poll tax regulated in amount in accordance with the ability to pay.

In the consideration of taxation it must be understood that the church was also a state affair and that revenues were regularly collected for its support. Outside of the regular taxes the fees of the clergy for marriage, burial, and baptism have been enormous. The rapacity of the secular government has never exceeded the rapacity of the church in Spanish-America. While the Christian church is a noble institution and properly conducted, a strong support to government and social order, it may be questioned whether it has been a blessing or a curse to Spanish-America. It withdrew such large quantities of wealth from the country and locked it up in unproductive property that it frequently crippled the industries and detracted from the prosperity of its supporters. The amount of capital invested in religion in Spanish-America from an economic standpoint yielded a small return on the investments and frequently could be counted as "sunken" capital invested in unproductive plants. Upon the whole the system of finance, including receipts and expenditures in the colonial governments of Spain, was a colossal failure, not so much on account of the excessive income raised as on account of



the bad methods employed and because the revenues were expended to support officialism and the home government rather than to be devoted to the development of the resources of the colonial provinces.

#### THE PUBLIC DEBT.

The public debts of colonial provinces have practically been assumed or guaranteed by the peninsular government. Practically the colonial government as stated before, is a part of the central government, and should be treated as are the provinces of the peninsula. Whenever the Spanish government has imposed a debt exclusively upon any colonial government it has done so arbitrarily, as such debt belongs to the general government, and the colonial province should be made responsible for its share of the payment, only as a part of the Spanish territory and government. In case of the Cuban debt this principle should be strictly applied. This debt arose on account of war, the deficits arising from bad administration and the impoverishment on account of bad fiscal laws. It is estimated that the debt prior to the insurrection of 1895, amounted to upwards of \$170,000,000. The greater part of this arose out of the ten years revolution extending from 1868 to 1878. Prior to this Cuba was forced to pay interest on debts made through international difficulties with Peru, Mexico, San Domingo and other states. Through an adjustment in 1879, these debts were consolidated and placed in charge of the Colonial Bank of Spain at Barcelona. The amount of these debts, \$5,000,000 charged to the Cuban treasury was assumed by Spain and absorbed into the general debt at that time. It has been customary for the general government to assume as part of its legitimate obligations all expenses incurred in

putting down insurrections and rebellions occurring in its different provinces. The national government always assumed that the war in Cuba was only a revolt against the Cuban government. Hence, while Cuba bore the great burden of suppressing the insurrection, it was Spain's business to conquer the insurgents, subdue her own rebellious subjects, and then pay for the war as any other nation would expect to do under similar circumstances. Instead of doing this Spain saddled the debt upon Cuba under the guarantee of the Spanish government. Cuba has been paying annual interest on this debt ever since, while Spain has been spending the millions raised in Cuba in other ways than the liquidation of debts or the improvement of the island. The debt has been added to from time to time by deficits in the government accounts. From any reasonable constitutional interpretation, or from any logical conclusion on the precedents or practices of Spain and other nations, the debt did not belong to Cuba, but was Spain's own, which should be met by taxing the resources of all Spain and Spanish possessions, including Cuba.

The insurrection of 1895-1898 involved other expenses of the Spanish government, which, under the circumstances of the intervention of the United States, should be borne by Spain alone, as the treaty involved no settlement other than this. Whatever fell directly to the insular government, the provinces and municipalities, or to the insurgent government, must be met with no reference to Spanish authority. Spain imposed the debt upon Cuba simply because it was possible to do so. It was a continuation of that policy of exploitation which has characterized her colonial policy from the beginning.

## CONCLUSION.

There is no other case on record where a nation through a long period of years failed to learn any lessons in the management of colonial affairs, but pursued blindly to the bitter end a policy highly ruinous to both home and colonial government. Each succeeding struggle brought renewed stubbornness and special attacks of blindness in regard to the rights and privileges of a free people. The whole system of pretended local government was a farce and imperialism extended to the remotest bounds of the colonial province. Viewed from one standpoint the colony was a part of the central government and was controlled by hordes of royal officers; viewed from another, it was a territory to be used, robbed, a matter of convenience; the rights and privileges of whose inhabitants the central government was in no way bound to respect. The colonial policy of Spain was made up of an oppressive commercial policy, a ruinous and oppressive industrial policy, a destructive political policy, a defective and unjust financial policy. Unjustly holding to these methods, Spain's colonial domain has been reduced from that of a vast empire to a few islands of about 5,000 square miles in area. Spain's colonies have gone and with them the most extensive system of colonial laws and colonial government in the history of the world, unless it be that of England with her enlightened colonial system.

FRANK W. BLACKMAR.

# THE DANISH COLONIAL FISCAL SYSTEM IN THE WEST INDIES.

## INTRODUCTION.

The Danish West Indies rank among the lesser colonial establishments of the world, but a study of their history and administration is of value not only because of the present interest of America in the future destiny of the islands, but also because we have in them one of the best examples of a liberal colonial policy developed to meet difficult conditions and maintained with unfaltering resolution by the home government, even in the face of an inevitable financial loss.

These islands lie just east of Porto Rico as the advance guards of the Lesser Antilles. St. Thomas, which is within forty miles of American territory, is about thirteen miles long and three wide, with an area somewhat less than an American township and a population of fifteen thousand, nine-tenths of whom are colored. St. John is a little island with but a thousand inhabitants, which lies under the lee of St. Thomas and forms part of the same administrative district. St. Croix, or Santa Cruz, lies to the southeast of Porto Rico and about forty miles directly south of St. Thomas, and contains some seventy-four square miles, of which no less than sixty-eight are tillable. The population of the island is nineteen thousand, mostly colored, and, as in the other islands, the English language is the common tongue. St. Thomas is noted the world over for its excellent harbor, while St. Croix is almost purely an agricultural island whose products of sugar, rum and molasses have made its name familiar to all.<sup>1</sup>

<sup>1</sup> See Hill, "Cuba and Porto Rico," etc., 308-317; Fiske, "The West Indies," 295-301.

These islands are held by Denmark as a heritage of the great colonial movement of the seventeenth century. As early as 1612, the first Danish East Indies Company was organized, and before 1701 the fourth great Danish company, that of the West Indies and Guinea, was chartered and given a monopoly of the trade of the Gold Coast, consisting mainly of ivory and of slaves destined for St. Thomas. A few years previously, in 1671, Christian V. had sent a little expedition to the Antilles to occupy in his name the island of St. Thomas, an acquisition considered of small importance at that time, but soon to become by the force of circumstances a great depot for contraband merchandise on its way to the Spanish American possessions. In 1719 the little island St. John was occupied, and in 1733, by session from the court of France, the island of St. Croix was acquired. The company, however, abused its monopoly and was dissolved in 1754, the king purchasing all of its establishments for 2,200,000 crowns and reimbursing the shareholders.<sup>1</sup>

Upon the dissolution of the company, the trade of the islands was thrown open to all citizens of Denmark and the prosperity of the colonies developed with great rapidity.<sup>2</sup> The wars of Europe, in the midst of which Denmark maintained a neutral position, contributed to the importance of the islands, and the neighboring colonies had frequently to look to St. Thomas for slaves and other supplies. Whether the mother country ever derived any marked advantage from the possession of the islands may well be questioned. A distinguished French authority, M. Leroy-Beaulieu, is inclined to the opinion that the depression of home industries consequent upon

<sup>1</sup> Bonnassieux, "Les Grandes Compagnies de Commerce," 436-441.

<sup>2</sup> Smith, "Wealth of Nations," II., 78.



the investment of needed capital in the colonies more than counterbalanced the meager returns secured thereby.<sup>1</sup> However that may be, a study of the recent financial administration of the islands demonstrates not only that no material advantage has accrued to Denmark from her American possessions in the last few years, but that the maintenance of her dominion over the islands has cost her dearly. And one may well question whether a country so remote, without great commercial interests to be subserved by their retention, can ever give so liberal and enlightened an administration to these islands as that maintained by Denmark without being called upon to face as heavy, if not heavier financial losses from year to year.

The fundamental law which has determined the administrative relations between Denmark and her West Indies possessions was adopted Nov. 27, 1863. With slight modifications the provisions of this law have continued to govern those relations down to the present, although strenuous efforts have been made from time to time to adopt radical amendments, the last important attempt in this direction being made in 1897. The law itself consists of some eighty-six articles, and may very justly be described as a complete code of Danish colonial administration.<sup>2</sup>

Primarily all matters of legislation are in the hands of the Rigsdag, but with the exception of the obligation upon the home treasury to pay certain prior existing indebtedness and changes in the law itself, the law-making power is given to the king, and two colonial councils, one for each commune, to be exercised by them

<sup>1</sup> "De La Colonization chez les Peuples Modernes," 4th ed., 184.

<sup>2</sup> Coloniallov for de dansk-vestindiske Oer. (J. H. Schultz, Copenhagen, printer.)

through ordinances, the Rigsdag retaining a right of approval or rejection, and requiring the submission of such laws to it at earliest convenience (sec. 1 and 2). The governor of the islands may under extraordinary circumstances publish provisional orders, but these must always be presented to the colonial council concerned, at its next ensuing meeting, so far as the matter requires determination by law, and they must be further referred through the ministers to the Rigsdag (sec. 4).

The administrative authority over the islands is exercised by a governor under the superior charge of a responsible minister, by agreement with instructions given by the king (sec. 5). The superior court of the kingdom is the high court of appeal for the islands. Until an appeal from the decree of the colonial courts is decided, the appellant must abide by the determination of the local authority (sec. 6). The power of appointment of administrative officials is vested in the king, but the appointment of certain inferior officials may be delegated to the governor (sec. 9). The king has the right to remove all appointive officers except the judges, but all officers removed without cause have a right of pension accorded them by the laws.

For administrative purposes the Danish West Indies are divided into two superior districts: the first consisting of St. Croix and the islands immediately adjacent, and the second of St. Thomas and St. John, with the islands adjacent thereto. The colonial governor is the immediate over-superior in that district where he resides, while in the other a vice-governor performs the functions of an over-superior<sup>1</sup> (sec. 10). In the hands of the governor are placed extensive powers over the administration. He is to see that the laws are exe-

<sup>1</sup> The governor now exercises the functions of vice-governor also.

cuted, that the subordinate officials fulfill their duties, and he may suspend for crime an officer appointed by the king (sec. 11) but must thereupon bring action against such officer before the courts. He is commander-in-chief of the armed forces, and in case of urgent need may declare the islands in a state of armed siege and exercise unlimited authority (sec. 12).

Each of the two superior districts forms a separate commune, and for each a colonial council is provided to assist in the control of the economic and financial affairs of the commune in the manner hereafter set forth (sec. 13). In St. Croix thirteen councillors are chosen by the people from electoral districts, and five are appointed by the king; in St. Thomas and St. John eleven are chosen by the people from three electoral districts and four are appointed by the king (secs. 14, 15 and 16). The councillors serve four years, one-half retiring every second year, and no restriction is placed on their reelection (sec. 17). The franchise is exercised by all male citizens twenty-five years of age who own property in the commune of an estimated annual rental of \$75 in St. Croix and St. John, or of \$150 in St. Thomas, or who have had in the previous year a net income of \$500 (sec. 17). A residence is required in the commune of two years and in the electoral district of six months, and the voter's name must be inscribed on the electoral registry (sec. 18). All citizens who have the franchise are eligible to nomination for membership in the council, but the governor and the secretarial officers are made ineligible (sec. 19). The elections are under the supervision of a justice of the peace and two other citizens, one appointed by the over-superior and the other by the council of the commune (sec. 21, 32). Elaborate provisions obtain for the con-

trol of registration and the conduct of elections (sec. 33-35).

Each colonial council is required to meet every other month at a fixed date determined by the governor for the year<sup>1</sup> (sec. 36). The governor may dissolve either council, but this power may not be exercised more than twice in two years and the new council must be convened within two months after the dissolution (sec. 36). The governor may attend the sessions in person or by deputy; and all communications to either council must be through the governor or vice-governor respectively (sec. 37). Each council appoints its own officers (sec. 38) and determines its own rules of procedure with the sanction of the governor; a quorum consisting of one-half of the members elected (sec. 40). The use of both Danish and English is authorized in the deliberation of the councils and the journals are kept in both languages, the preference being given to the Danish in case of doubt as to the interpretation of the journal (sec. 39). The initiative in legislation is given to any member, and to the governor or vice-governor whenever he chooses to exercise the right (sec. 41). Each council has a qualified control over the elections and discipline of the elective members (sec. 46). The councillors are true representatives, not responsible for their votes to their constituents (sec. 48). In cases concerning laws applicable to both communes or such other matters as may require such proceedings, the colonial councils may, at the proposal of the governor, refer the same to a joint committee consisting of equal delegations. The matter recommended for such proceedings must, however, first have been laid before each council, and the final decision

<sup>1</sup> It must be noted that the governor in all these matters is immediately subject to the responsible minister of the home government.

thereon be taken by it so far as its interests are concerned (sec. 42).

#### FINANCIAL ORGANIZATION.

By the law of 1863, a separate colonial treasury was established in each commune (sec. 49). All revenues collected by the authorities in either commune are to go into the colonial treasury of that commune, and those that are collected by the superior administration are to be turned into the appropriate colonial treasury (sec. 51). The general charges to be assumed by the colonial treasuries in common are as follows: 1st, for the superior colonial administration 12,600 rigsdalers<sup>1</sup> (sec. 54); 2d, all expenses of the supreme court of the districts except \$200; 3d, all pensions for royal officials in the islands whose salaries are a common charge; 4th, all military expenditures for the collective garrisons; 5th, all other expenditures incurred in common for the islands. These general charges are to be divided equally between the communes, except that military expenses are to be apportioned according to the number of men who have served during the previous year (sec. 53).

All local charges are assumed by the treasuries of the communes. These include the expenditures for the colonial council, the local judiciary and police, the clerical department, the customs and harbor and pilot charges, postal and telegraph department, public roads, public instruction, sanitation, fire protection, care of the poor and of the prisons, and certain miscellaneous charges for public buildings, etc.

The provisions relating to the budget now demand our immediate notice. The law of 1863 required the over-superior to present to the colonial council a plan of

<sup>1</sup> Amount equals \$6,753.



budget with a detailed exhibit of the probable revenue and expenditures of the given colonial treasury for the year following. With regard to the items of the budget not included in the existing laws or rules, the plan for including them must be presented in the form of an ordinance to the council, and when passed by that body be submitted to the superior authority within the time fixed by law. If during the course of the financial year, questions arise concerning any expenditure from the colonial treasury that has not been included in the budget, a supplementary grant is required. The annual budget as well as supplementary grants are to be presented to the king for his sanction, and after being confirmed, they are to be published and presented to the Rigsdag at its next following session (sec. 58). No tax can be levied, increased, modified, or abolished except by ordinance in the manner provided by law (sec. 59).

No measures touching the economic affairs of the commune can be effected by the governor or over-superior, nor can any expenditure from the colonial treasury be directed without the consent of the colonial council, either through the regular or supplementary grants, unless such measure or expenditure is based on existing laws, ordinances, or royal resolutions, or unless circumstances render immediate action necessary before the assent of the colonial council can be obtained. In the latter case the action must be ratified at the next regular or special session of the council, which must make a supplementary grant to cover the expenditure in question (sec. 60). In accordance with the preceding section none of the properties and invested funds belonging to the capital stock of the commune can be disposed of, nor can any loan be raised without the consent of the colonial council. Moreover in cases of more

than general importance, as in the disposal or mortgage of the property of the commune and the incurring of other than temporary loans to be paid from the annual revenue, the sanction of the governor, or according to circumstances, that of the minister must be obtained to render such resolution valid (sec. 61). If the majority of either of the colonial councils shall refuse to ratify the expenditure for any work which it is the legal duty of the government to carry on, the governor may enter a protest against such resolution, and upon refusal of the council to heed his protest, he may present the case through the minister to the king. Under such circumstances, the provisions of the previous budget are to be followed until the conflict is determined by royal decree (sec. 62).

The law of 1863 provided for the audit of accounts annually by two members of each colonial council appointed by the respective council. The annual draft of accounts is presented to the colonial council concerned and extracts are published. The council has power to examine the accounts through a special committee, which may command all necessary information, and upon the discovery of errors its duty is to present the matter to the king through the ministers (sec. 64, 65).

#### REVENUE AND EXPENDITURE.

The sources of revenue as seen from an examination of the budget are both direct and indirect taxes. But a small part of the revenue is collected from the various direct taxes. The budget of St. Thomas and St. John for 1899-1900 calls for \$28,700 from direct taxation out of a total of \$95,520; that of St. Croix of \$40,380 out of a total of \$154,865. The principal direct tax is the ground and building tax, which the budgets respectively

look to for \$10,000 and \$15,600 for the current year. The authorities endeavor to keep the amount collected from direct taxation constant by imposing supplementary taxes when necessary. The financial and commercial conditions of the island preclude any hope of increasing the revenue from this source for many years to come.

The main source of revenue is therefore from indirect taxation. The customs code of St. Thomas and St. John differs radically from that of St. Croix—a difference due to the fact that the importance of St. Thomas is yet primarily commercial, while that of St. Croix is agricultural. By the ordinance of October 23, 1885, concerning custom house and ship dues applicable to St. Thomas<sup>1</sup> there was imposed a uniform impost duty of 2 per cent. of the value of the goods at the last place of exportation, including all costs and charges incurred in placing the goods free on board.<sup>2</sup> An amendatory ordinance of April 14, 1893, raised the impost duty to 3 per cent. and abolished the light house dues of 1 cent per ton of the burden of vessels of 50 registered tons and upwards.<sup>3</sup> The export duties of St. Thomas and St. John by the ordinance of October 23, 1885, are 5 per cent. on sugar produced in the islands and  $1\frac{1}{3}$  cents per gallon on rum and molasses, all other goods being exempt from export charges.<sup>4</sup> The exemptions from import duties under the ordinance of October 23, 1885, include: (a) Fresh

<sup>1</sup> For ordinance of 1885, see U. S. *Consular Reports*, Feb. 1886, No. 61, pp. 463-468; *Bulletin International des Douanes*, No. 110, Brussels, Feb. 1895.

<sup>2</sup> Ordinance of 1885, ch. I, sec. 2.

<sup>3</sup> *Bulletin International des Douanes*. Supplement to No. 110. The limit of ordinance of April 14, 1893, was two years, but by virtue of an ordinance of Feb. 15, 1895, it was continued in force for an additional term of 5 years, to commence April 1, 1895.

<sup>4</sup> Ordinance of October 25, 1885, ch. I, sec. 3.

fruit and vegetables; printed books and papers; coal; mules and asses; and wearing apparel, furniture, etc., that are brought in by the owner, who has already used them and for his personal use. (b) Agricultural implements; casks, hoops, staves and headings; machinery for producing sugar, rum and molasses; provided they are all to be used in the islands. (c) All goods on which duty has been paid in St. Croix; and all productions of other Danish West India islands, provided they are transported in Danish vessels. (d) All goods imported for the public service, for the account of the Danish state treasury or the Danish West India colonial treasuries.<sup>1</sup> In order to encourage the use of St. Thomas as a port of distribution, the ordinance of 1885<sup>2</sup> exempted from import duties all goods remaining on board a vessel and carried away thereon and all goods transhipped from vessel to vessel and not destined for St. Thomas or St. John, provided such goods were so specified in the bills of lading or in special reports.<sup>3</sup> The amendment for April 14, 1893, authorized the government to grant free of duty and subjected to the control of the customs department bonded storage in private warehouses for goods that are imported with the intention of being re-exported to the country of their origin, and the duty must be paid on the expiration of that period; but the government may upon application grant an extension of the privilege for one year each time. Of the ship dues which furnish so important a part of the revenue of St. Thomas, the rate per ton discharged or laden is 15 cents for vessels of 20 tons burden or less, 50 cents for those of 50 tons or upwards, and 25 cents for other vessels.

<sup>1</sup> Ordinance of October 23, 1885, ch. I, sec. 2.

<sup>2</sup> *Idem*.

<sup>3</sup> *Bulletin International des Douanes* supplement 6, No. 110, sec. 2.

Sailing vessels under the Danish flag between the Danish West India Islands pay 2 cents for each ton of entire burden, provided they load or discharge at least one ton of goods; while Danish steamers in the same trade pay 2 cents on each ton discharged or laden.<sup>1</sup>

The tariff applicable to St. Croix is that of June 30, 1850, with amendments made from time to time.<sup>2</sup> The import duties are both specific and ad valorem. Specific duties, varying from 60 cents per 100 lbs. on wheat flour to \$1.25 per 100 lbs. on meats, are levied on all the main articles of food. On other goods, the duty is either 5 per cent. or 12½ per cent. according to an elaborate schedule containing no less than 263 separate items. In general the exemptions are the same as those given for St. Thomas, with a similar provision for trade between those islands and St. Croix.<sup>3</sup> The export duty on sugar from St. Croix is 5 per cent., and on rum and molasses 3 per cent., if shipped to Denmark whether exported in Danish vessels or in foreign vessels enjoying the same privileges as national vessels. If exported in other foreign vessels for whatever port, the duty is 10 per cent. on sugar and 6 per cent. on rum and molasses. In case export duties on these articles have been paid in St. Thomas or St. John, when they have been taken to St. Croix for re-exportation, the receipt for duties paid entitles the shipper to a corresponding reduction. All other goods, whether the produce of the island or not, may be exported free of duty.<sup>4</sup>

As has already been indicated, the indirect taxes furnish most of the revenue of the islands. By the budget of 1899-1900, the customs duties were calculated to produce \$19,000 of \$95,520 gross revenue of St. Thomas and St. John, and \$88,800 of \$154,865 gross revenue of

<sup>1</sup> Ordinance of October 23, 1885, ch. II, sec. 5.

<sup>2</sup> *Bulletin International des Douanes*, No. 120.

<sup>3</sup> Revised Ordinance of 1850, sec. 4-6.

<sup>4</sup> *Idem.*, sec. 7.



St. Croix. Of the other taxes regarded as indirect, St. Thomas and St. John estimate no less than \$23,500 from ship dues and harbor and pilotage charges for the corresponding year, while the St. Croix budget places but \$5,330 to the same account. The revenues of St. Thomas and St. John are also greater than those of St. Croix in the case of other indirect taxes, due to the relatively superior position of St. Thomas as a port of entry and a commercial distributing point for the other islands.

As has already been stated, the direct taxes of the islands are relatively unimportant as sources of revenue. The budget of St. Thomas and St. John for 1899-1900 estimates a revenue of \$28,700 from these sources, of which \$10,000 is accredited to the ground and building tax, \$6,700 to the house tax, \$7,300 to the trade tax, \$3,100 to the lamp tax, and \$1,600 to the horse, carriage, and boat tax. In St. Croix for the corresponding years, the estimate of revenue from direct taxation is \$40,380, the main items of which can be seen by a glance at the budgetary exhibit. While these direct taxes are relatively small, they have furnished a very uniform revenue for many years. Whether under any conditions they could be advantageously increased is uncertain, but the present financial and commercial condition of the islands seems to preclude any change that would bring about such a desired result.

Of the expenditures of the islands, the budgets for 1899-1900 show that the superior administration costs \$14,525 for St. Thomas and St. John, and \$14,625 for St. Croix. The judiciary and police account calls for \$29,980 in the former, and \$24,524 in the latter. The largest item of expense, and one that has occasioned the most complaint on the part of the inhabitants, as responsible for the annual deficit is that for military expenses, which is set for the current year at \$28,899.25

for St. Thomas and St. John, and at no less than \$51,588.75 for St. Croix. The increase of the military establishment subsequent to the insurrection of 1878 is acknowledged by all to be necessary for the proper policing of the islands, but the citizens have felt that it is a burden that should be borne by the home government—a contention that might well be sustained if the forces maintained served any other purpose than to meet the local needs. As the situation looks at present, it will be impossible for the direct or indirect taxes to be so reformed as to bring in more revenue, and the government will have to face an annual deficit so long as the islands remain under Danish control.

The underlying assumption of the law of 1863 was that by the arrangement set forth the Danish West Indies would become after April 1, 1865, financially independent, so that by their own power they would meet all the expenditures required by local necessities and the cost of the control of the motherland as well. It was assumed that they might also contribute in no small degree to the royal treasury of Denmark. Indeed, the law of 1863 specifically provides for an annual contribution of \$28,000 from St. Thomas and St. John for a period of ten years. St. Croix was to be free from such contribution for the same period, but thereafter an annual contribution was contemplated from each colonial treasury, the amount of which was to be fixed by law (sec. 56). It was further provided that the amounts in cash belonging to the state treasury in the islands should be gradually turned back to the home treasury as fast as the surplus might warrant, but for the purpose of transition the minister of finance was authorized to allow an adequate portion of such amounts to be retained in each of the colonial treasuries until sufficient cash of their own had been accumulated, and to permit payment of colonial expenses from the home treasury when nec-

essary, such outlays to be properly charged to the colonial treasury concerned (sec. 57).

As seen by Table III, the hope of aid to the state treasury from colonial revenues proved delusive, as in three only of the ten years did the revenue of St. Thomas and St. John exceed their fixed expenditures, and the total net deficit during the ten years subsequent was nearly \$16,000. In no year since 1879 has there been a surplus in St. Thomas and St. John, but the deficit has steadily increased until in some years it has reached as high as \$90,000. In St. Croix the financial history has been similar, the deficit in certain years amounting to no less than \$100,000. In 1871 the expenditures of the governor and over-superior were assumed by the royal treasury as a check upon the growing indebtedness of the colonies to the motherland. At that time the indebtedness of St. Thomas and St. John to the home treasury was only \$51,153, while that of St. Croix was \$71,856. Since that time, as shown by Table IV, there has been a steady increase in the amount, so that on March 31, 1898, the indebtedness of St. Thomas and St. John was no less than \$1,045,418, and that of St. Croix \$984,124, besides which from certain special loans St. Croix had an additional indebtedness to the home treasury amounting to no less than \$238,012 on March 31, 1897, the interest on which she has been unable to pay since 1884.

The reasons for the financial decline of the islands, as set forth by the council of St. Croix, are: the continual drought and poor crops for several successive years; the increase of the military expenditures after the insurrection of 1878; the increase of the poor rates and the pension charges, and the impossibility of levying increased taxes, either direct or indirect, to meet these

conditions.<sup>1</sup> Back of all this, of course, has been the economic decline of the colonies, an evidence of which is the decrease of one-half in the value of real estate in twenty years. The true cause seems to be found in the decline of the sugar industry, due to European competition and the inability of the inhabitants to readjust their agricultural industry to the new conditions.<sup>2</sup> The commercial importance of St. Thomas has fallen from another cause also, in that it has ceased to be the main distributing port for the neighboring islands, a position which it so long held before the era of steamships and cables.<sup>3</sup> These causes are radical and it does not seem possible, therefore, that the islands will ever again assume the industrial and commercial standing which they formerly held.

From time to time changes in the fundamental law have been suggested so that the Danish Royal treasury should assume the burden of military expenditure and thus relieve in part the annual deficit. The latest and most sweeping proposal was made in 1895-6 by the Danish government, with the hope that it might be accepted by the colonies so as to go into operation April 1, 1897. By this proposal the existing colonial treasuries were to be abolished and two communal treasuries established. The home government was to assume the major portion of the expenses of each colony, and such a portion of the revenue that each communal treasury might show a small surplus balance.<sup>4</sup>

In brief the scheme of the government provided that all the indirect taxes as enumerated in the budgeting

<sup>1</sup> "Forslag til Lov om Forandring e Koloniallov for de dansk-vestindiske Oer," (J. H. Shultz, Copenhagen, 1897,) pp. 3-10.

<sup>2</sup> See Crowell, "The Sugar Situation in the Tropics," *Political Science Quarterly*, XIV : 606.

<sup>3</sup> Hill, R. T., "Cuba and Porto Rico," etc., 313-314.

<sup>4</sup> Forslag til Lov om Forandring i Koloniallov for de dansk-vestindiske Oer. (J. H. Schultz, Copenhagen, 1897.)

exhibits in Tables I and II, except the export dues, the cranage and wharfage fees, harbor and pilot fees and the dues on burger briefs, together with a part of the sundry revenues, were to be surrendered by each colony to the home treasury. The colony of St. Croix was also to give up the major part of the revenue from direct taxation on lands and buildings. In return the home treasury was to assume all the expenses of the superior administration, those of the governor's office and of the higher courts, the salaries of the minor administrative officers, all the pension charges, and all salaries and expenses of the military department, of justice and police, of the custom house, and of the clerical aid; and part of certain minor expenses, such as for public instruction and for building improvements.

A trial exhibit of this scheme published by the government based on averages from 1884-5 to 1888-9 showed that the home government would receive in St. Croix about \$87,410 of revenue and in St. Thomas and St. John about \$75,572, and in return would assume expenditures amounting in the first case to \$136,962 and in the second to \$131,773, leaving a deficit in each case to be paid from the home treasury of over \$50,000. The expenditures of the treasury of St. Croix was reduced to some \$65,401 and that of St. Thomas and St. John to \$52,954; the revenues in each case being sufficient to show a small surplus.

In other words, the Danish government considered that as it was inevitable that the annual colonial deficit would finally come upon the state treasury, a readjustment would be advisable, whereby the home treasury would assume to pay the annual deficit, which now amounts to nearly \$150,000, and at the same time control the revenues and expenditures as set forth above.



Notwithstanding the inducement that the indebtedness of the colonial treasury to the home treasury would be cancelled, and that within the limitations imposed, each colony would have its own independent budget, the measure failed of colonial approval mainly on the ground that it appeared to be an abrogation of the home rule principle.

In the petition of the colonial council of St. Croix to the government with regard to the matter, after enumerating the causes of the economic decline of the islands, the memorial states that the present condition of an annual deficit which cannot be met from the colonial treasury calls for some radical remedy. "This condition," says the council, "cannot otherwise than weaken the feeling of respect and independence of the colonial council, and it is highly desirable that heavier burdens be not imposed on the colonial treasury than it can bear." But in the view of the council, the effect of the bill would be to deprive that body of all rights of legislation in matters not purely commercial, and thus take away from the commune some of the most important powers that it now exercises. The contention of the ministry that the administration of the colonial communes would be brought into line with that of the Danish communes is answered by allusion to the fact that the latter have representatives in the Rigsdag and that the proposed law would deprive the colonial councils of their present right to present opinions to that body with regard to bills that would affect the administration of the islands. In other words, the colonial council, by a large majority insisted that if a change were to be made it would be unadvisable to lessen the privileges of the colonies as a recompense for the bounty of the home government.

CHARLES W. TOOKE.

TABLE I.  
BUDGETARY EXHIBIT OF ST. THOMAS AND ST. JOHN—1893-1900.

REVENUES.	1893-94	1894-95	1895-96	1896-97	1897-98	1898-99	1899-00
	ACTUAL.	ACTUAL.	ACTUAL.	ACTUAL.	ACTUAL.	BUDGET.	BUDGET.
<i>A. Direct Taxation.</i>							
1. Ground and Building Tax-----	\$ 10,409	\$ 10,293	\$ 10,138	\$ 9,696	\$ 9,734	\$ 10,100	\$ 10,000
2. House-Tax-----	6,955	6,979	6,898	6,209	6,656	6,800	6,700
3. Trade-Tax-----	7,120	3,996	10,041	7,984	7,075	7,700	7,300
4. Lamp-Tax-----	2,480	1,706	3,189	3,184	3,028	3,300	3,100
5. Horse, Carriage and Boat-Tax-----	1,431	787	1,647	1,527	1,837	1,300	1,600
TOTAL-----	28,395	23,762	31,913	28,600	28,329	29,200	28,700
<i>B. Indirect Taxation.</i>							
1. Custom-dues and Fees-----	24,718	19,666	18,720	20,045	18,102	20,020	19,020
2. Ship and Light-house Dues-----	19,800	17,611	19,249	17,935	16,762	18,000	18,000
3. Revenues, Harbor and Pilot Dep't.-----	5,551	5,325	5,182	5,414	5,856	5,400	5,500
4. Vendue Fees and percentages-----	611	792	984	1,439	749	1,000	1,000
5. Dues on Recorded Transfers of Property-----	45	120	98	75	80	100	100
6. Tax on Inheritances-----	1,022	2,839	419	232	316	600	600
7. Fees, Court, Police, etc.-----	7,464	7,748	6,514	6,634	5,194	7,200	6,200
8. Postal Department-----	13,154	10,179	19,086	11,252	10,913	12,000	12,000
9. Rum Licenses-----	1,250	1,398	1,170	1,106	1,056	1,200	1,100
TOTAL-----	73,556	65,677	71,424	64,132	59,037	65,520	63,520
<i>C. Sundry Revenues</i> -----	3,670	3,492	5,984	3,321	3,655	3,000	3,300
TOTAL REVENUES-----	\$105,621	\$ 92,931	\$109,321	\$ 96,053	\$ 91,021	\$ 97,720	\$ 95,520

## EXPENSES.

<i>A. Contribution to the General State Expenses.</i>							
<i>B. Superior Administration.</i>							
1. The Government	10,502	11,949	12,196	11,162	11,300	12,400	12,400
2. The Upper Court	1,924	2,111	2,133	1,907	2,127	2,125	2,125
<i>C. Colonial Council.</i>	1,546	1,372	1,437	1,276	1,219	1,398	1,398
<i>D. Administration and Public Institutions.</i>							
1. Officers of Administration	5,961	5,918	5,953	5,943	5,086	5,975	5,965
2. The Judiciary and Police	29,562	29,439	27,367	26,376	26,012	29,980	29,980
3. Clerical Dep't	1,350	1,350	1,350	1,350	1,284	1,350	1,350
4. Customs Dep't	6,062	6,105	6,103	6,136	5,151	6,218	5,400
5. Harbor and Pilot Dep't	6,228	6,162	6,160	6,108	6,171	6,371	6,371
6. Post and Telegraph	13,186	25,553	17,940	11,905	14,241	16,200	17,300
7. Military	30,806	27,720	27,212	28,741	30,001	28,914	28,899
8. Fire Dep't	2,864	2,829	2,714	2,702	2,728	3,042	3,042
9. Streets and Roads	10,083	10,535	10,628	10,422	11,422	11,532	11,132
10. Public Instruction	9,618	10,133	9,676	9,594	9,398	10,008	10,008
11. Sanitary Dep't	15,090	14,328	14,158	14,581	14,235	14,590	14,910
12. Poor Dep't	4,221	4,480	4,248	4,470	4,589	4,950	5,000
13. Prison Dep't	2,845	3,003	2,727	3,286	3,903	3,350	3,350
<i>E. Building, etc., Expenses</i>	13,637	14,724	10,347	10,806	10,023	10,740	10,715
<i>F. Pensions</i>	8,296	7,487	8,585	8,483	10,231	11,027	10,351
TOTAL EXPENDITURE	\$173,783	\$185,197	\$170,944	\$165,249	\$169,122	\$180,170	\$179,686

TABLE II.—BUDGETARY EXHIBIT OF ST. CROIX—1893-1900.

REVENUES.		1893-94	1894-95	1895-96	1896-97	1897-98	1898-99	1899-00
		ACTUAL.	ACTUAL.	ACTUAL.	ACTUAL.	ACTUAL.	BUDGET.	BUDGET.
<i>A. Direct Taxation.</i>								
1.	Ground Building Tax	\$15,985	\$14,685	\$15,844	\$15,141	\$15,817	\$15,200	\$15,600
2.	House Tax	2,044	1,972	2,019	1,915	1,858	1,970	1,930
3.	New Tax	5,832	5,027	5,578	5,228	5,480	5,270	5,430
4.	Immigration Tax	5,001	4,173	5,028	4,601	5,078	4,600	4,900
5.	Cavalry and Artillery Tax	3,504	2,796	3,324	3,068	3,664	3,030	3,350
6.	Absentee Tax	2,291	1,724	1,436	1,597	1,648	1,580	1,560
7.	Horse, Carriage and Boat Tax	5,555	4,572	5,691	5,977	5,619	5,000	5,760
8.	Quarter per cent. Tax	1,717	1,388	2,072	1,642	1,860	1,700	1,850
TOTAL A		41,930	36,337	40,992	39,169	41,023	38,350	40,380
<i>B. Indirect Taxation.</i>								
1.	Import Duty and Fees	61,102	60,796	56,792	67,839	66,975	61,765	63,880
2.	Export Duty	31,166	27,541	19,925	32,247	27,134	20,000	25,000
3.	Ship Dues	4,137	3,659	3,627	4,449	4,314	3,900	4,130
4.	Craneage and Wharfage	4,097	4,264	3,767	4,756	4,831	4,200	4,450
5.	Harbor and Pilot Department	1,694	1,054	1,060	1,122	1,116	1,080	1,100
6.	Stamp Dues	2,183	1,621	2,553	1,286	2,311	1,800	2,000
7.	Vendue Fees	311	458	432	535	199	450	380
8.	Fees on Inheritance	27	345	413	1,060	348	551	550
9.	Fees (Court, Police, etc.)	6,680	6,397	6,434	6,228	8,040	6,310	7,160
10.	Post Office Department	3,582	3,839	3,687	3,846	4,087	3,800	3,870
TOTAL B		114,980	109,975	98,690	123,369	119,364	103,855	112,020
<i>C. Sundry Revenues.</i>								
1.	Fines and Confiscations	226	251	436	349	339	345	375
2.	Revenues from Prisons	895	1,332	656	797	573	930	675
3.	Interest on Capital Invested	765	1,284	713	715	650	680	650
4.	Sundry Revenues	860	968	1,007	1,453	792	820	765
TOTAL C		2,746	3,835	2,812	3,315	2,354	2,775	2,465
TOTAL REVENUES		\$159,656	\$150,147	\$142,494	\$165,853	\$162,741	\$144,980	\$154,865

## EXPENSES.

A. Contribution to General State Expense.  
B. Superior Administration.

1. The Government	11,103	11,917	11,245	10,879	11,261	12,225	12,300
2. The Upper Court	2,116	2,302	2,839	2,107	2,329	2,325	2,325
C. Colonial Council	1,235	1,236	1,208	1,206	1,242	1,220	1,220
D. Administration and Public Institutions.							
1. Officers of Administration	5,828	5,661	5,703	5,613	5,699	5,742	5,742
2. Judiciary and Police	24,559	24,546	24,816	24,393	24,043	24,670	24,524
3. Clerical Department	3,768	3,818	3,818	3,818	3,818	3,818	3,818
4. Customs	14,052	14,030	13,771	13,488	13,283	13,303	13,303
5. Pilot and Harbor Department	1,865	1,924	1,731	1,645	1,683	1,886	1,750
6. Post and Telegraph	4,523	4,664	4,680	4,818	4,772	4,484	4,484
7. Military	52,521	49,319	49,081	51,087	51,518	51,332	51,589
8. Militia and Fire Department	697	757	880	777	894	1,049	1,034
9. Roads and Streets	1,294	1,323	1,273	1,258	1,292	1,385	1,385
10. Public Instruction	11,936	12,302	12,346	12,351	12,079	13,009	13,003
11. Sanitary Department	22,198	21,903	24,325	25,552	25,736	23,120	23,070
12. Poor Department	10,944	11,084	10,620	10,980	11,118	10,900	10,900
13. Prison Department	9,713	9,321	9,360	8,520	8,681	9,081	9,081
14. Contribution to Immigration Fund	6,000	6,000	6,000	6,000	6,000	6,000	6,000
E. Divers Expenses.	1,988	2,044	2,037	1,639	1,692	1,893	1,993
F. Building, etc., Expenses	6,404	8,381	5,816	6,340	7,250	12,590	7,050
G. Pensions	6,126	5,048	4,988	5,397	5,170	4,920	7,127
H. Interest on Loan of '79						*6,241	*6,241
I. Interest for Central Factory						*45,276	*45,276
TOTAL EXPENDITURE	\$198,922	\$197,579	\$196,038	\$197,669	\$199,561	\$256,470	\$253,215

\* These items appear in all recent budgets but have not occasioned actual expenditures for some years.



TABLE III.—EXHIBIT SHOWING THE SURPLUS OR DEFICIT IN ST. CROIX AND ST. THOMAS AND ST. JOHN FOR SELECTED YEARS FROM 1866 TO 1898, IN THOUSANDS OF DOLLARS.

<i>St. Croix (A).</i>					<i>St. Thomas and St. John.</i>			
YEAR.	Revenue.	Expense.	Surplus.	Deficit.	Revenue.	Expense.	Surplus.	Deficit.
1865-66	\$190	\$179	\$ 11		\$211	\$201	\$ 10	
1870-71	206	225		\$19	215	189	26	
1875-76	296	340		43	203	205		\$ 2
1880-81	170	199		29	177	204		27
1885-86	150	200		50	140	186		46
1890-91	151	202		51	112	174		62
1891-92	114	197		83	106	173		67
1892-93	143	199		56	101	174		73
1893-94	160	199		39	105	174		68
1894-95	150	197		47	93	185		92
1895-96	142	196		54	109	171		62
1896-97	166	198		32	96	165		69
1897-98	162	199		37	91	169		78

(A). It is to be noted that in the case of St. Croix no interest charges are included in the actual expenditures, as that commune has not paid any interest on its indebtedness to the home treasury since 1884-5. This amount, which really belongs to the deficit, has been set forth in the budget for several years at \$51,517 annually.

Cf. Table II, last line.

TABLE IV.

## INDEBTEDNESS OF COLONIAL TREASURIES TO STATE TREASURY.

RUNNING ACCOUNTS.		RUNNING ACCOUNTS.	
ST. CROIX.		ST. THOMAS AND ST. JOHN.	
March 31.—Thousand Kr. = \$268.			
1866	244		298
1867	77		213
1868	19		207
1869	—51		276
1870	108		317
1871	257		183
1872	125		211
1873	160		162
1874	157		167
1875	112		120
1876	258		187
1877	370		262
1878	347		289
1879	159		244
1880	575		298
1881	737		391
1882	911		541
1883	964		655
1884	1,027		709
1885	1,246		829
1886	1,404		1,025
1887	1,616		1,226
1888	1,822		1,358
1889	1,938		1,562
1890	2,024		1,707
1891	2,198		1,855
1892	2,386		2,129
1893	2,592		2,420
1894	2,848		2,647
1895	3,046		2,980
1896	3,245		3,222
1897	3,484		3,526
1898	3,672		3,901

<sup>1</sup> St. Croix is further indebted to the home treasury by special loans for government sugar factory, etc., to an amount on March 31, 1897, of \$85,091 Kr. or \$238,012, including interest, which has been unpaid since 1884-1885.

## FINANCES IN THE BRITISH WEST INDIES.

At present the British West Indies,<sup>1</sup> together with British Guiana, present the most serious problem in colonial finance with which the government of the Empire has to deal. Not even the fiscal difficulties of India are more perplexing or more urgent. The smaller islands have, as a rule, large debts and chronic deficits, while it is impossible—so the Secretary of State for the Colonies asserts—either to cut down their expenditures without abandoning necessary medical and educational services, or to raise their rates of taxation without decreasing their receipts. Either Imperial relief must be afforded or the colonies must be allowed “to fall into anarchy.”<sup>2</sup> Such is the financial difficulty. Underlying it is an industrial difficulty—the decline of West India sugar. As to the causes of that decline there may be dispute, but there is none as to the fact. The Royal Commission on the West Indies, in the comprehensive and able report which they submitted in October, 1897,<sup>3</sup> summed up their conclusions to the effect that “There is, at present, no prospect of any considerable and permanent rise in the price of sugar in the ordinary course of events. The cost of producing sugar . . . could in many places be reduced, but the prospect of profit is not such as to induce capitalists generally to supply the necessary funds. . . . Wages and salaries have already been re-

<sup>1</sup> That is the Bahamas, Jamaica with its dependencies, the Leeward Islands (Virgin Islands, St. Kitts, Nevis, Anguilla, Antigua, Montserrat and Dominica), Barbados, the Windward Islands (St. Lucia, St. Vincent and Grenada) and Trinidad with Tobago.

<sup>2</sup> Rt. Hon. Joseph Chamberlain in Committee of Supply, 14 March and 2 August, 1898, 3 Hansard, 54:1538-1547; 63:871-899.

<sup>3</sup> “Report of the West India Royal Commission.” London: Stationery Office, 1897. (C. 8655). The commissioners were Sir Henry Norman, Sir David Barbour, and Sir Edward Grey.

duced, and no further economy can be expected in respect of them. . . . Under present conditions therefore the prospect of the sugar industry is the gradual abandonment of the weaker estates, a process which has already begun. . . . There is every reason to believe that a very serious condition of things is rapidly approaching in Your Majesty's West Indian possessions, and that the crisis will be reached in a very few years."<sup>1</sup>

The Commission therefore recommended measures designed to develop other lines of agriculture in the islands, especially fruit raising. To this end they advocated, first of all, the settlement of the laboring population as peasant proprietors. They proposed, further, the establishment, at the expense of the Imperial Exchequer, of a Department of Economic Botany in the Windward and Leeward Islands. They likewise recommended an imperial subsidy for fruit steamers to New York, and perhaps to England, and the establishment of cheap and frequent interinsular communication. Finally, they argued for economical administration and strict limitations upon the borrowing powers of the colonies. But they were unable to approve the suggested consolidation of the governments of the West Indies as a whole. The recommendations of the Commission were approved by the home government,<sup>2</sup> and moneys looking to their execution were accordingly supplied by the House of Commons on 14 March and 2 August, 1898.<sup>3</sup>

The policy of imperial grants in aid of local revenues in the West Indies thus inaugurated<sup>4</sup> introduces a mo-

<sup>1</sup> Report, pp. 16-17.

<sup>2</sup> Rt. Hon. Joseph Chamberlain, Secretary of State for the Colonies in 4th Hansard, 63:879, 898, 2 August, 1898.

<sup>3</sup> 4th Hansard, 54:1538-1584; *do.*, 63:871-974.

<sup>4</sup> Grants in aid had been made before, *e.g.*, of £15,000 to Dominica in February, 1896, and to Jamaica in 1846. But they did not become a settled policy until 1898.

mentous innovation in British colonial finance. It is true that assistance has been extended, upon frequent occasions, to protectorates like Basutoland, British Bechuanaland and Uganda, and even to Cyprus. But the general understanding has been that British colonies, when once thoroughly established, should support themselves without such assistance as French and German colonies receive. Such has long been the expectation of the government concerning the West India colonies; and it cannot be asserted that that expectation has been altogether abandoned even now. On the contrary, Mr. Chamberlain says, "we hope that they may in the future be self-supporting." But he adds that "at present it is absolutely impossible for them to do anything beyond" what they are already accomplishing,<sup>1</sup> and he is careful to warn the Commons that "unless circumstances materially alter we shall have to come to the House—any Government will have to come to the House—again and again for some time to come for further grants."<sup>2</sup>

It is an obvious corollary of such continued grants in aid that henceforward the Imperial Government should exercise in the colonies aided "a regular control over their taxation and expenditure,"<sup>3</sup> just as it was a corollary of their previous fiscal self-sufficiency that the colonies should decide for themselves how and for what they would pay. But the new system has been too short a time in operation to make it clear, as yet, just how the increased budgetary control of the Colonial Office is to be exercised. In Trinidad and the Windward Islands, to be sure, the matter is simple. There

<sup>1</sup> 4th Hansard, 63:883, 2 August, 1898.

<sup>2</sup> *Ibid.*, 872.

<sup>3</sup> Mr. Sidney C. Buxton, 4th Hansard, 54:1554, 14 March, 1898.



appropriations and ways and means are both determined by the Governor and his appointed council, and no political complications are involved. But the other West India colonies have "representative institutions" to which they are attached—in the case of Barbados the assembly dates from Charles I—and they will be loth to give up that control of the public purse to which they are accustomed. Their unwillingness is well illustrated by a recent incident in Jamaica. The present Legislative Council of that island dates only from 1884, but throughout fourteen years of its brief existence the elected members were left in a majority by the Governor's deliberate neglect to appoint the full authorized number of nominated members. Early in 1899 the Council as thus constituted refused, by the unanimous vote of the elected members present, to pass certain estimates. The Governor thereupon declared their passage to be "of paramount importance to the public interest" and accordingly nominated to the four places theretofore unfilled four men who would give him a majority in the Council. His action awakened a storm of protest throughout the island, but it was approved by the Colonial Office<sup>1</sup> and led to a compromise whereby the elected members agreed to the desired legislation upon condition that the Governor withdraw his appointments. The four nominees thereupon resigned, leaving the elected members once more in a majority. It seems pretty clear that some machinery involving less friction must be devised if the Imperial Government is to exercise a regular control over the taxation and expenditure

<sup>1</sup> "Correspondence relating to the public finance and resources of Jamaica, February, 1899." London, 1899, 24 pp. (C. 9177.)

"Further correspondence relating to finances and government of Jamaica, July, 1899." London, 1899. 31 pp. (C. 9413.).

of these colonies that have been accustomed to manage—and to mismanage—their own finances.

It may be that when such machinery is devised some degree of uniformity will be introduced into the financial systems of the several colonies. But as yet those local solutions—adequate or inadequate—of the problems of revenue and of expenditure, which were reached by each colony for itself, have been but little modified by Imperial intervention. If, therefore, there is found throughout the West India colonies a certain general type of taxation, that type prevails not because it has been forced upon the colonies by London, but because it is the logical outcome of their situation, their population, and their industrial character.

As to situation, the colonies are either small islands or coast land; their traffic is almost altogether sea-borne, and of local origin or destination. There is no transit-trade worth mentioning. These facts in themselves suggests the appropriateness of taxing their imports and exports. Further all of them except the northern Bahamas lie within the tropics and are devoted almost exclusively to agriculture. With the exception of gold in British Guiana and asphalt in Trinidad, none of them has any mines worth mentioning. There are no fisheries of importance except the "sponge fisheries" of the Bahamas, and no manufactures except that of the ubiquitous rum. Among their agricultural crops the sugar cane occupies the first place, over half the aggregate exports from the islands (if we exclude Jamaica, over three-fourths from the rest) consisting even now of sugar, molasses and rum.<sup>1</sup> Upon the export of these articles, of fruits and of a little coffee the British West Indies are chiefly dependent for their supply of such imported necessities as

<sup>1</sup> "Report of the W. I. Royal Commission," p. 3.

textiles, clothing, flour, fish, tools and machinery. In the present depression of the sugar industry in the islands it is obvious that their sugar can no longer sustain the handicap of an export duty.<sup>1</sup> The alternative of import duties on what the sugar buys has accordingly been adopted by all the colonies.

The agricultural population of these colonies consists mostly of blacks and colored persons. The climate and soil and their standard of living are such that they seldom find themselves in pressing want of food beyond what a small "provision ground" spontaneously supplies, or of shelter beyond what a very simple hut will afford. Even their clothing is inexpensive, and as they generally exhibit considerable improvidence they do not long retain such small amounts of money as they have occasion to handle. It is, therefore, only with extreme difficulty that direct taxes can be collected from them. For example, in the year 1897-98 there were issued in Jamaica no less than 32,951 warrants for the seizure and sale of property in satisfaction of defaulted taxes, though the total receipts from the direct tax on houses and lands were only £82,183,<sup>2</sup> out of aggregate public revenues of £681,043. Under such circumstances it is not surprising to find that the customs duties are supplemented almost exclusively by indirect forms of taxation such as rum excise, business licenses, and stamps.

A nearer view of the fiscal system of these colonies is

<sup>1</sup> Dominica still has an export duty, and British Guiana has a royalty on gold, most of which is exported. In 1896 British Honduras experimented with an export duty on logwood, but soon gave it up.

<sup>2</sup> "Report on the finances of Jamaica," by Sir David Barbour, July, 1899. London, 1899, VII, 44 pp. (C. 9412.) §§ 30, 73, 75. It should be added that only 227 of the warrants led to actual sales, their issue apparently serving as a way of dunning delinquent taxpayers.

best based, perhaps, upon a somewhat detailed account of one of them. For that purpose, I have chosen Jamaica, the largest and richest of them all, and the colony possessing the most varied agriculture. It is in consequence less dependent upon sugar than the other islands, or British Guiana, and has suffered less by the fall in that commodity ensuing upon the increase of the beet sugar bounties in 1896. After describing the finances of Jamaica, I shall add a few words comparing the other colonies with it, and pointing out the reasons why they make an even stronger claim for Imperial relief.

The colony of Jamaica, exclusive of its "dependencies,"<sup>1</sup> contained, at the census of 1891, 639,491 inhabitants upon an area of 4,207 square miles. It is thus somewhat smaller than Connecticut, by which it is slightly exceeded in population, and a trifle larger than Porto Rico, which has nearly fifty per cent. more people. Jamaica is by much the most important of the British West Indies, exceeding in area all the British islands lying to the south of it, and almost equalling them all in population. Less than fifteen thousand of the inhabitants are whites. After the disturbances of 1865, Jamaica was brought under crown government and many reforms were effected. Schools were established, the judiciary reorganized, and those medical and sanitary services were devised to which the island owes its present exceptionally low death rate among the West Indies. After 1884, when the Legislative Council was given control of the finances, improvements were carried on with a lavish hand. In March, 1889, there were 790 miles of main roads under the Department of Public Works. In De-

<sup>1</sup> Viz. : the Turks, Caicos and Cayman Islands, the Morant and Pedro Cays. None of these lies adjacent to the Jamaican coast. They have together less than 10,000 inhabitants and are financially independent of Jamaica.

cember, 1897, there were 1879 miles. Meanwhile the parochial roads had been extended from 2300 to over 4000 miles.<sup>1</sup> Governor and Council seem to have shared the delusion that there was no bottom to the public pocket. Hotels were subsidized by a guarantee of 3 per cent. on their cost, which aggregated £48,000. In 1889 a contract was made virtually guaranteeing three and one-half per cent. on a million and a half sterling of bonds of the Jamaica Railway Co. issued to pay for unprofitable extensions. In addition £700,000 was borrowed for unproductive public works.

For a time the revenues almost kept pace with the expenditures. The fruit trade, in particular, was expanding, and exports increased from £1,280,000 in 1885-6 to £1,983,000 in 1893-4. Such prosperity caused large imports, and customs grew from £247,745 to £320,976, excise from £80,455 to £127,479, total receipts from £557,309 to £746,068.<sup>2</sup> In 1894 the reaction set in. Trade languished and revenues fell off. Customs declined to £282,751 in 1897-98, excise to £104,961, total receipts to £628,481. Expenditures exceeded revenues by £186,182. The Railway Company failed to earn its interest, and in 1890-1900 the colony will have to add to its expenditures almost £40,000 on account of its guarantee.<sup>3</sup> Under such circumstances it was natural that differences of opinion should rise both as to the proper line of retrenchment and as to the best means of increasing the revenue. The Legislative

<sup>1</sup> Report of Jamaica, 1896-97, pp. 48, 50.

<sup>2</sup> This latter sum amounted to about \$5.66 per capita, a rate of taxation which a country like Jamaica cannot sustain indefinitely.

<sup>3</sup> Barbour's Report, § 13. 12 April, 1900, the Supreme Court of Jamaica ordered the winding up of the Railway Company, vesting the same in the government. The first mortgage bondholders will receive Jamaica inscribed stock bearing 3½% interest.—*Journal of Commerce*, 14 April, 1900.



Council demanded an immediate revision of the civil list. The new governor, supported by the Colonial Office, stood upon the "vested rights" of present officials, and the deadlock was resolved only by the unusual means of filling the Council with nominees as already described (p. 171.) Thereupon Sir David Barbour, a member of the West Indies Commission of the preceding year, was sent out to report upon the finances of the colony, and it is largely upon his report that the following account of them is based.

The finances of Jamaica are in charge of a Collector General of Customs, Excise and Inland Revenue, assisted by his staff and by a collector of taxes and various assistant collectors in each parish. The parish collector of taxes is also parochial treasurer, and parish expenditures are met directly from the parish treasury, wherever local revenues suffice. But through the operation of the auditor's office all such receipts and expenditures find their way into the colonial accounts. It would, therefore, be easy to get a comprehensive view of the expenditures, were it not for certain peculiarities in the method of stating the accounts. At present receipts from certain taxes are paid into a general fund, out of which most expenditures are made. But there are other taxes whose yield is specifically appropriated to designated purposes. Accordingly the financial accounts state the revenues in two sections, "general" and "appropriated." This distinction is carried over into the statement of expenditures and there gives rise to some confusion. All the expenditures out of the general fund are entered by the purpose that they serve or the branch of administration through which they are made, as for example "main roads." But other payments are lumped together as "expenditure from appro-

priated revenue," even though part of this, as in the case of roads, is additional expenditure for purposes already enumerated under the general fund. It therefore becomes necessary, if we would have a clear view of the total expenditures, to resort to the laws appropriating certain taxes to specific purposes, and further to the figures of receipts to learn what these taxes respectively yield.<sup>1</sup>

With this explanation and caution I offer the following table showing in thousands of pounds the expenditures of the colony for 1897-98, with the percentage of total expenditure assigned to each post.

Items of Expenditure.	Thousand Pounds.	Per Cent.
Governor, staff and privy council .....	7.5	0.9
Legislative council .....	1.9	0.2
Colonial secretariat .....	5.7	0.7
Director of public works .....	17.1	2.1
Treasury, audit and savings bank .....	11.7	1.4
Revenue debts and stamp office .....	39.4	4.8
Judicial .....	45.8	5.5
Ecclesiastical .....	2.6	0.3
Medical .....	61.0	7.4
Post and Telegraph .....	34.9	4.3
Police .....	62.4	7.6
Prisons .....	27.2	3.3
Schools .....	69.4	8.5
Harbors .....	2.3	0.3
Colonial allowance and military .....	10.4	13.7
Miscellaneous .....	30.7	3.7
Steamship subsidies .....	1.7	0.2
Stationery and printing .....	7.8	0.9
Library and museum .....	7.0	0.2
Plantations and gardens .....	6.3	0.8

<sup>1</sup> Even when this is done there remain minor uncertainties and discrepancies, in part due, apparently, to the incompleteness of the published accounts and in part to the fact that sometimes more and sometimes less than the whole yield of an appropriated tax in any year is spent within the year in question. It may be inferred that the balances in the special funds must vary from time to time, but I have not been able to get figures of those balances.

Main roads and buildings .....	45.3	5.4
Civil pensions .....	21.6	2.6
Debt service .....	112.6	13.7
Total general .....	627.4	77.1
Expenditures from appropriated revenue .....	156.4	19.1
[This includes :		
Poor relief .....	38.7	
Main roads .....	27.0	
Parochial roads .....	35.8	
Sanitary .....	7.6	
Fire (Kingston) .....	1.5	
Gas (Kingston) .....	3.3	
Parochial, general purposes .....	4.5	
Expenditures from proceeds of loans .....	30.8	3.8
Total expenditures .....	£814.644	100.0

In the first seven cases the amounts are chiefly for salaries. The medical expenditure includes the maintenance of eighteen public hospitals in various parts of the island and the salaries of forty-five district medical officers, who are really physicians paid to live in localities where practice alone would not support them. In addition to the general expenditure for main roads and the appropriated taxes assigned to roads, an unascertainable portion of the spirit licenses, which amounted in all to over £12,700 in 1897-98, was also spent on the roads.

The sources of Jamaica's revenue for 1897-98 are revealed by the following table, which gives amounts in thousands of pounds and indicates the percentual importance of each sort of revenue.

Sources of Revenue.	Thousand Pounds.	Per Cent.
Customs .....	282.8	45.4
Excise .....	105.0	16.6
Stamps .....	18.0	2.8
Fees and fines .....	11.0	1.8
Tax in lieu of school fees .....	9.7	1.5
Post and telegraph .....	27.2	4.3
Savings bank .....	4.8	0.8
Miscellaneous .....	29.4	4.7
Total general revenue .....	487.9	77.9

Poor rate.....	38.7	6.2
Sanitary rate.....	7.6	1.2
Fire and gas rates.....	4.8	0.7
General parochial rate.....	4.5	0.6
Trade licenses and market dues.....	12.8	2.0
Main road revenues.....	27.0	4.3
Parochial roads. (These include the proceeds of the acreage and holdings taxes, the spirit licenses and the horse and vehicle tax).....	35.9	5.7
Miscellaneous.....	9.2	1.4
<hr/>		<hr/>
Total appropriated revenue.....	140.5	22.1
General revenue.....	487.9	77.9
<hr/>		<hr/>
Total revenue.....	628.5	100.0
Loans issued.....	214.8	
<hr/>		<hr/>
Total receipts.....	843.3	

The customs duties are thus seen to be the mainstay of Jamaican finance. The tariff consists of specific duties upon certain goods and a general ad valorem rate upon all other imports except those enumerated in the free list. The general rate in 1897-98 was twelve and a half per cent. In the tariff for 1899-1900, passed in April, 1899, it was raised to sixteen and two-thirds per cent. and at the same time a number of articles were stricken from the free list.<sup>1</sup> The more important specific duties are high, e. g., \$1.92 per barrel on flour, \$1.00 per cwt. on bread and crackers, \$4.00 per cwt. on hams and bacon, sausages and butter. Sir David Barbour estimates that in 1897-98 the duties were equivalent to 19.8 per cent. on salt fish, 22 per cent. on bread, biscuits and salted beef, 34 per cent. on rice and 36 per cent. on wheat flour.<sup>2</sup> He also prints,<sup>3</sup> with apparent

<sup>1</sup> See Barbour's Report, § 71.

<sup>2</sup> Value of imports, 1896-97, in thousands of pounds :

Cottons.....	249	Alcoholic liquors.....	67
Wheat flour.....	155	Boots and shoes.....	57
Dried and salted fish.....	121	Wood and lumber.....	56
Apparel and slops.....	68	No other import over.....	50
<hr/>		<hr/>	
Total imports.....		1661	

<sup>3</sup> Report, appendix F.

approval, a table of cost prices and of specific duties per cwt. actually paid upon "fourteen articles, food-stuffs and necessities of life, which the people in Jamaica can only get at a fair living price from the United States." The average rate of duty is therein shown to be fifty-four per cent. If we leave out of account matches and kerosene, which occupy an anomalous position, the rate for the rest is thirty-two and a half per cent., which is probably a more typical average. Put in another way, duties of £282,751 were collected in 1897-98 upon total imports valued at £1,674,380 or an average of about 17 per cent. upon all imports, including those on the free list. As most of Jamaica's imports are the necessities of her agricultural population it is obvious that these duties, in so far as they tend to raise the cost of living beyond that prevalent in the islands with lower tariffs, handicap her in competition with her neighbors.

Next in importance to the import duties is the excise, consisting chiefly of the rum duty. By law 10 of 1875, as amended by law 8 of 1890, it is a tax of six pence per gallon upon all rum or other spirits distilled in the island and sold for consumption. The rum tax is very sensitive, falling off rapidly with a decline of general prosperity. The excise includes also a cigar and cigarette tax which produced £4,500 in 1897-98. But this is so hard to collect and is thought to interfere so seriously with a growing industry, that Sir David Barbour favored its abandonment.

The stamp taxes, which are numerous, follow the general lines of the English stamp duties, taxing commercial paper, deeds, leases, mortgages, customs warrants, bills of lading, probate of wills, and all sorts of insurance policies. A complete list of the rates is given in the "Jamaica Handbook."



There is no general property tax in Jamaica, but no less than seven taxes or "rates" are levied upon various forms of real property. First there is a quit rent of one penny per acre upon patented land. The yield in 1897-98 was £7,349. Second, there is an acreage tax upon agricultural land, differing with the sort of agriculture pursued. The rate is three pence per acre on all land under cane, coffee, ginger, cotton, tobacco, cocoa, vegetables, bananas, coacanuts or ground provisions, three half-pence upon guinea grass, three farthings upon common pasture or pimento (the tree that bears the commercial "allspice"), and one farthing on wood or "ruinate" (land exhausted by ginger culture). This tax is obviously unfair, and is said to be much evaded. It produced in 1897-98 but £5,404. Third, there is a holdings tax (law 17 of 1890 and law 11 of 1891) as follows:

Holdings less than 5 acres----	2s	200 to 500 acres----	20s
Holdings of 5 to 10 " ----	3s 4d	500 to 800 " ----	30s
" 10 to 20 " ----	4s 8d	800 to 1000 " ----	36s 8d
" 20 to 50 " ----	5s 4d	1000 to 1500 " ----	53s 4d
" 50 to 100 " ----	6s 8d	over 1500 " ----	60s
" 100 to 200 " ----	10s		

A plot of less than one quarter of an acre is exempt if there is a house upon it. If one person has various holdings within the same parish aggregating not more than five acres they are treated as one holding. In some cases the tax works great inequalities. Sir David Barbour found one land owner who paid but 60s. in respect of 3900 acres, while sixty of his tenants holding from one-half to one acre each and occupying scarcely one per cent. of his land paid twice as much as he. The total yield of the holdings tax in 1897-98 was £11,309. Fourth, there are a number of house taxes. These are called by different names and are appropriated to differ-

ent purposes, but they are all levied upon the same principle. For purposes of assessment houses are divided into three classes: (*a*) houses of the annual value of four pounds and upwards; (*b*) huts in provision grounds, used as a temporary shelter, the owner having another residence in respect of which he pays rates; (*c*) other houses. Houses of class *a* are taxed at an amount determined by reference to their annual value. Classes *b* and *c* are taxed a specific sum. In practice this division of the houses into classes is purely arbitrary, for it is quite impossible to ascertain the annual value of a house in the country where no houses are ever rented. Upon the three classes of houses as thus determined there are levied four general taxes, in addition to the municipal water, fire and gas rates of Kingston. These general taxes are: the poor rate, the sanitary rate, the rate for general parochial purposes, and the school rate. The first three vary from parish to parish. In 1897-98 the lowest tax upon the poorest house was six shillings in Manchester parish, the highest upon such a house was ten shillings in St. James.<sup>1</sup> Upon better houses the poor rate, the sanitary rate, and the general parochial rate are so much in the pound, the education rate is three shillings on an annual value of £4, four shillings on £6-12, and six shillings on all houses whose annual value exceeds £12.<sup>2</sup> This complex of rates is in practice very high upon the poorest huts, and leads to overcrowding and to moral and sanitary evils. Sir Augustus Hemming, the present Governor of Jamaica, declares the poor rate unequal and unsatisfactory in its incidence and in many instances oppressive. In 1897-98 these four general rates on houses yielded over £60,000.

<sup>1</sup> Barbour's Report, § 28-29.

<sup>2</sup> *Ibid.*, § 74.

Business licenses also constitute a productive form of taxation. Some of the more important rates, in the last year for which data are at hand, were as follows :

Wholesale dealers in spirits in Kingston.....	£10
Wholesale dealers in spirits elsewhere.....	5
Retail dealers in spirits in Kingston .....	25
Retail dealers in spirits in 27 other towns.....	20
Retail dealers in spirits elsewhere.....	10
Each still .....	5
Sellers of gunpowder and firearms .....	5 10s
Dealers in metals.....	5
Buyers of agricultural produce.....	2
Merchants .....	12 10s
Storekeepers .....	7 10s
Retail storekeepers.....	10s to £5

The receipts from such licenses were £12,789 in 1897-98. There are also "general internal taxes" on horses, varying from 7s. to 11s., on asses at 3s. 6d., and on vehicles at from six shillings to one pound per wheel, with a surtax in Kingston for repairing the city streets. The proceeds of the licenses and of the horse and vehicle tax are appropriated to the roads, and furnish between them over £50,000 of the £62,000 of "expenditures from appropriated revenue" made upon the roads in 1897-98.

The remaining British West Indies are geographically divisible into a group lying north of Jamaica, in which no sugar has ever been raised, and one lying south of Jamaica, in which, as in British Guiana, sugar raising is, or has been, the exclusive industry.

The area of the 600 islands to the north, the Bahamas, exceeds that of Jamaica, but they are inhabited by less than fifty thousand people. Their chief source of revenue is their tariff. Specific duties are levied on flour and food stuffs, liquors and oils, ad valorem duties on hardware and textile fabrics and on boots and shoes,

and there is a general ad valorem rate upon unenumerated commodities which was raised in 1895 from twenty to twenty-five per cent.<sup>1</sup> The colony owns the cable from Nassua to Florida, whose gross receipts in 1896 were £1,068, and it pays £1,200 to subsidize a steamship line to Palm Beach. The islands have always been poor and probably always will be.

The islands to the south of Jamaica, on the other hand, once enjoyed a prosperity of which their present dense population is the chief surviving witness. They differ from Jamaica in two important respects. First, they have a far less diversified agriculture. Montserrat grows many limes, and shares with St. Vincent in the arrowroot crop. But the market for both products is extremely limited and is said to be oversupplied. The other islands have made little or no attempt to introduce the cultivation of fruits of any kind. The reason may be their great distance from American markets, or it may be the technical ignorance and the indolence of their black population, or it may be that their soil and climate are suited, as Barbados is said to be, to the raising of nothing but cane. Other reasons also are assigned, including the difficulties which negro peasants encounter in getting ownership of land. But whatever the cause, the fact is that the southern islands, except Montserrat and Trinidad, are dependent almost absolutely upon their output of sugar. Products of the cane make 94 per cent. of the exports of Antigua (and, if we exclude gold, as large a part of the exports of British Guiana), 96 per cent. of the exports of St. Kitts, 97 per cent. of the exports of Barbados, and less than 23 per cent. of the exports of Jamaica.<sup>2</sup>

<sup>1</sup> Annual Report, 1896. (C. 8279-17.)

<sup>2</sup> Report W. I. Com., p. 3.

In the second place the southern islands differ from Jamaica in that their arable surface is chiefly held in large estates and often by absentee owners. In Dominica, St. Vincent and Barbados, estates are often unused and some are cultivated at a loss merely to give employment to the swarming negroes. But everywhere there is a strong indisposition to sell in small holdings on reasonable terms, or, in many cases, to a negro on any terms. Meanwhile the practice of "squatting" on abandoned estates, by which Jamaica has gradually acquired a peasantry whose fruit crops and ground provisions keep up relative prosperity in that colony, is vigorously suppressed in the southern islands, and the negro is thus prevented from supporting himself directly upon the soil whose cane product is ceasing to be his indirect support.

On account of the above-mentioned differences, the southern islands, whose revenue system is in general similar to Jamaica's, but with less direct taxes, have shown even less fiscal elasticity or recuperative power, and the treasuries of some of them were admittedly on the verge of bankruptcy when imperial relief was extended. The following table presents the salient features of their financial situation. It will be seen that, considering the poverty of the people, the taxes are very high. The amount collected in Trinidad is £575,000, as much as is collected by the State of Connecticut—which, to be sure, performs only part of the functions discharged by the government of Trinidad, but performs them for a population thrice as numerous and incomparably richer. It will be seen, too, that customs duties are the chief fiscal reliance of the colonies, and experience shows that, in some cases at least, these have reached their limit of elasticity. Thus in St. Vincent, for example, the rates were largely raised in 1895 and



	Area, Square Miles.	Population in 1891 in Thousands.		Revenues, 1897 (or 1898), in Thousands of Pounds.					Imports.		Expendi- tures.	Debt.
		Total.	Whites.	Total.	Shillings and pence per Capita.	Cus- toms.	Per cent.	Excise.	Licenses.	Total Value	Percent. of Customs upon.	
Bahamas-----	5,450	47.6	11.9	63	20 7 $\frac{1}{2}$	53	84	?	?	186	29	63 ----- 119
Jamaica-----	4,492	639.5	14.7	687	20 1 $\frac{3}{4}$	284	41	105	13	1694	17	775 ----- 1994
Leeward Islands--	701	127.7	5.1	132	20 2 $\frac{2}{3}$	64	45	?	?	426	15	141 ----- 336
Windward Islands-	508	143.8	?	142	19 8 $\frac{2}{3}$	67	47	?	?	480	14	142 ----- 339
Barbados-----	166	182.3	?	185	20 2	107	55	27	6	1009	10	173 ----- 409
Trinidad-----	1,868	218.4	?	575	52 9	447	78	?	?	2173	21	587 ----- 526
British Guiana----	109,000	278.3	2.5	505	36 4	295	59	50	109*	1341	23	563 ----- 949

\* Including the royalty on gold mining.

further increased by 10 per cent. in 1896, the result being that the customs revenue decreased.<sup>1</sup> In other words, the limit of achievable revenue had been reached and meanwhile debts were piling up.<sup>2</sup>

The measures of assistance so far undertaken by the Imperial Parliament look toward two ends. The first contemplates immediate relief of the colonial treasuries, the second aims at putting the colonies in a position to meet a larger portion, eventually the whole, of their expenditures from their own revenues. By way of direct relief there was voted, in 1898, the sum of £90,000 to pay deficits. The colonies which chiefly profited by this measure are Tobago, St. Vincent, St. Lucia, Antigua, St. Kitts, Montserrat and the Virgin Islands.<sup>3</sup>

The contemplated expenditures for building up the colonies take the direction of appropriations for roads, for establishing peasant proprietorship, for agricultural experiment stations, and for steamship subsidies; and of guarantees on the cost of central sugar factories erected by private capital. For roads in Dominica and peasant settlements in St. Vincent £80,000 were granted 2 August, 1898; for agricultural experiment stations, £4,500, with the understanding that this would grow to an annual charge of £17,500; for steamship subsidies—intercolonial, to New York, and to London—the sum of £5,000 per year, with the understanding that this charge might expand to £20,000 yearly.<sup>4</sup> As for

<sup>1</sup> Chamberlain, 4 Hansard, 54:1544.

<sup>2</sup> Cf. the vigorous expressions of Sir E. Grey in 4 Hansard, 63:919, 2 August, 1898.

<sup>3</sup> These absorbed £80,950 of the sum. 4 Hansard, 63:872. 2 Aug., 1898.

<sup>4</sup> 19 April, 1900, a ten-year contract was made by the colonial office with Elder, Dempster & Co., calling for a direct fruit line to England. The subsidy is £40,000 per year, half paid by Great Britain and half by Jamaica.—*Journal of Commerce*, 2 May, 1900.

sugar factories the Commission had recommended a grant of £120,000 for their erection in Barbados, but the Colonial Office arranged instead for a ten-year's guarantee of 3 per cent. interest on £750,000 to be spent in erecting central factories in St. Kitts and Antigua as well as Barbados, and the House of Commons approved this arrangement.

The Colonial Loans Act of 1899 (62 and 63 Vict., ch. 36) authorized Imperial advances to various colonies for a period not exceeding fifty years and at interest of not less than  $2\frac{3}{4}$  per cent. The total amount authorized exceeded three million pounds. In this the West Indies might share as follows: Barbados and St. Vincent for hurricane loans to planters, £50,000 each; Trinidad, for railways and public works, £110,000; Jamaica, for public works, £63,000, for completion and equipment of railway, £110,000, for interest on railway debentures, £88,000, for waterworks, £40,000, in aid of revenue, £40,000.<sup>1</sup> Up to 26 February, 1900, arrangements had been made to loan £348,000 to Jamaica, and most of their allotment to Barbados and St. Vincent.<sup>2</sup>

Obviously the end is not yet reached. It is even too early to conjecture what the end may be. But one thing is clear: the policy of fiscal independence in the West Indies has broken down.

CHARLES H. HULL.

<sup>1</sup> See the debates in 4 Hansard, 75:518-579, 858-878, 1062-1065, 1152-1199.

<sup>2</sup> 4 Hansard, 79:1091.

## THE FISCAL SYSTEM OF EGYPT.<sup>1</sup>

It is often said that in Egypt the beginning and end of all things is finance. Like most epigrammatic statements this is undoubtedly an exaggeration, but it is nevertheless true that there are few instances known to history, where questions of public finance have played such an important rôle in determining the political and social condition of a people as in Egypt. This close dependence of the welfare of the Egyptian people upon the administration of the government finances is due to the peculiar character of the country itself. The Egypt of geography has an area of approximately four hundred thousand square miles, "an area seven times as great as New England". The practical Egypt of the present day, however, comprises a much smaller area. It is estimated that only ten thousand five hundred square miles are under cultivation. The entire cultivated area lies in the Nile valley and Delta, so that the Egypt of to-day, no less than that of the time of Herodotus is "the gift of the Nile." The prosperity of the Egyptian people is therefore indissolubly connected with the vicissitudes of that great river. It is only as the Nile can be brought under control, its wonderful life giving powers utilized, and its destructive powers eliminated that Egypt may hope to attain the greatest

<sup>1</sup>The principal sources from which the material used in this article has been drawn are: The Annual Reports by Lord Cromer on the Finances, Administration and Condition of Egypt, and the Progress of Reforms. "The Statesman's Year Book," 1899. "The Expansion of Egypt," by A. Sylva White. "England in Egypt," by Sir Alfred Milner. "Lord Cromer," by H. D. Trail, and "Present Day Egypt," by Frederic C. Penfield. The works of Mr. White and Mr. Milner I have found especially helpful.

economic prosperity. For a work of such a portentous character in that country private initiative is not to be depended upon. The Egyptian people must look to the administration of the government. The cultivated area of Egypt has a population of about 928 to the square mile, a density greater than that of any European country. The economic condition of the Felláhin is a low one. Their hard labor yields little more than the merest subsistence. They are an ignorant, improvident and as a rule submissive and docile people. Under such conditions questions of taxation have more than ordinary social significance. The power of the wealthier classes until recently has been sufficient to enable them to throw most of the burden of taxation upon the poor peasants. Ground down by excessive and inequitable taxation, the Felláhin were forced to resort to European money lenders, but these, in turn, they soon found to be even harder taskmasters than the officials. The prosperity of these agricultural laborers, however, in the long run is the prosperity of Egypt. Their labor is the source of the greater part of its wealth.

Not only is the economic welfare of the Egyptian people thus most intimately related to the administration of the public finances, but the present political relations of Egypt to the great powers of Europe are traceable directly to the recent extravagant administration of her finances. This was the gateway through which the European powers gained their present control in Egyptian affairs.

In 1863 Ismail Pasha succeeded to the throne of Egypt. He found the country prosperous. It would be difficult to improve upon the description of Ismail given by Sir Alfred Milner: "Ismail himself is as fine a type of spendthrift as can well be found, whether in



history or fiction. No equally reckless prodigal ever possessed equally unlimited control of equally vast resources. . . . When Ismail came to the throne in 1863, the debt of Egypt was only a little over three millions. The annual revenue of the country was amply sufficient to meet all needful expenditure, yet by the end of 1876 the debt had risen to eighty-nine millions. A country of six millions inhabitants and only five million acres of cultivated land had added to its burdens at the rate of seven millions a year, and at the same time the taxation of the land had been increased by something like fifty per cent. . . . If the personality of Ismail was an essential factor in the ruin of his country, it needed a whole series of unfortunate conditions to render that personality as pernicious as it actually became. It needed a nation of submissive slaves, not only bereft of any vestige of liberal institutions, but devoid of the slightest spark of the spirit of liberty. It needed a bureaucracy, which it would have been hard to equal for its combinations of cowardice and corruption. It needed the whole gang of swindlers—mostly European—by whom Ismail was surrounded, and to whom, with his phenomenal incapacity to make a good bargain—strange characteristic of a man so radically dishonest—he fell an easy prey." Such extravagance must soon place the Egyptian government at the mercy of its European creditors. But borrowing was not the worst feature of Ismail's extravagance. The vast sums necessary to pay high rates for their risk to European creditors backed by their respective governments, had ultimately to come from the taxpayers of Egypt; and the unjust methods of taxation which Ismail employed were paralyzing to the productive powers of the country.

In 1876 Europe called a halt in behalf of the creditors

of Ismail. For several years preceding that date the great powers had been gradually establishing a sort of control over Egyptian affairs.<sup>1</sup> This control now assumed definite shape in the appointment of Mr. Goschen on the part of England and M. Joubert on the part of France, with instructions from their respective governments to investigate the financial situation of Egypt. The preliminary report was presented the same year, and one of its results was the establishment, by a decree dated November 18, 1876, of the dual control. It was in that year also that the powers succeeded in bringing about the establishment of international courts,<sup>2</sup> for the purpose of dealing with certain legal questions between Europeans, or between Egyptians and Europeans, in Egyptian territory.

Before speaking further of the establishment of European control in Egypt, it may be well to look for a moment at the relations existing between Egypt and Turkey. Since 1517 Egypt has been a Pashalic of Turkey. The present relations between the two countries are set forth in the Firman of 1873. This, however, was slightly modified by one of 1879. The Firman of 1873 provides that "the Khedive of Egypt is authorized to make internal regulations and laws as often as it may

<sup>1</sup> "The purchase by Lord Beaconsfield of Ismail's Suez Canal shares (1875) gave Great Britain a *locus standi* which she did not before possess in the control of Egypt, and a share with France in the administration of the canal."—White.

<sup>2</sup> The evils of internationalism in Egypt are especially evident in regard to judicial questions. Egypt has four practically distinct judicial systems, (1) the courts of the religious orders concerned principally with the personal status of Mohammedans, (2) the international courts above referred to, (3) consular courts where foreigners accused of crime are tried, (4) native courts for civil and criminal actions between natives. Under such a system the difficulty of enforcing Egyptian law, especially against foreigners, is only too evident.

be necessary. He is also authorized to renew and to contract (without interfering with the political treaties of my sublime Porte) conventions with the agents of foreign powers. . . . The Khedive has complete and entire control over the financial affairs of the country. He has full power to contract, . . . in the name of the Egyptian government, any foreign loan, whenever he may think it necessary." The Firman of 1879 forbids the contracting of new loans without the consent of the existing creditors. Concerning the rights thus granted Sir Alfred Milner says: "No delegation of sovereign power, short of its absolute abandonment, could well have been more complete." It is the opinion of Sir John Scott, late judicial adviser to the Khedive, that inasmuch as these recent Firmans have been declared by Turkey in co-operation with the European powers, the principles of Egyptian autonomy established by them "are not mere emanations of the will of the Sultan which he can sanction to-day and abrogate to-morrow."<sup>1</sup> *The Times* of January 22, 1899, speaking of the status of Egypt, says: "Taxes are levied and money is struck in the name of the Sultan; and the Khedive can neither part with any of his rights nor abandon any portion of his territory. But as long as he pays his tribute, he is practically independent of the Sultan in all matters of internal administration."

With this digression let us return to the consideration of Egypt's relations with the great powers during the latter part of Ismail's reign. The year 1876 witnessed the introduction of a new factor in Egyptian politics, a factor at the time considered of little importance, but destined soon to become a virtual *imperium in imperio*.

<sup>1</sup> "The Expansion of Egypt," p. 132, *et seq.*

I refer to the establishment of the *Caisse de la Dette*. The Caisse as it is generally called, originally consisted of three foreigners, a Frenchman, an Austrian, and an Italian. England took so little interest in the board at first that she refused to propose a commissioner. These commissioners are appointed nominally by the Khedive, but in reality by the powers respectively which they represent. The original object of the Caisse was rather to protect the interests of Egypt's European creditors, than to represent the powers themselves. Its duties, as set forth in the Decree of May 2, 1876, were principally to receive "the funds necessary for the interest and redemption of the debt," and to apply them to this object exclusively. Certain hypothecated revenues were to be paid regularly to the Caisse. Article III of the decree provided that: "If the payments of the revenue assigned to the debt be insufficient to meet the yearly charges, the special Public Debt Department will demand from the Treasury, through the intermediary of the Minister of Finance, the sums required to complete the half-yearly payment." It was further provided that the Government should not diminish the yield of the hypothecated taxes, nor contract new loans without the consent of the Caisse. Any surplus which might happen to exist in the hypothecated revenues at the end of the year was to be paid over to the general treasury. Actions of the Caisse against the government were to be brought in the International Courts. These were the main provisions of the Caisse as originally constituted; its future development will be considered later.

The Dual Control by France and England was suspended by the Decree of December 15th, 1878. It was revived, however, the following year and a Controller-General was appointed by each of the two Powers.

England named Major Baring and France, M. de Blignières. These men bore instructions from their governments to inform the Khedive that the exercise of political influence by any of the other powers would not be permitted. It was becoming pretty evident by this time that France and England intended to control Egypt. Ismail, while making all sorts of promises and concessions, continued his reckless financial policy. Sir Alfred Milner cites one instance in which a debt of £72,000 was redeemed by the surrender of not less than £230,000 of unified stock. In spite of the attempted restrictions of the powers, he succeeded in extending many short loans at extravagant rates, and in anticipating considerable revenue. The inevitable result followed. He was deposed through the influence of the powers in 1879, and a Firman of Investiture decreed the same year, established Taufik upon the throne.

Shortly before his deposition, Ismail, after a long continued opposition, consented to the appointment of a commission, whose duty should be to make a minute examination into the financial and administrative system of Egypt. This commission found the finances of the country in a deplorable condition. Their recommendations for reform were embodied in the Law of Liquidation enacted in July 1880, which together with the London Convention of 1885 and the Khedivial Decree attached thereto, has since constituted the organic law of Egyptian finance.

The principal provisions of the law were as follows: The Egyptian revenues were divided into two nearly equal parts; of these one part went to the Caisse for the benefit of the debt, and the other to the government for purposes of administration. The principles applied to these two budgets were quite different. Any deficit



that might occur in the budget of the Caisse had to be made up by the government. The Caisse, however, could not be called upon to make up out of any surplus which it might have a deficit in the budget of the government. The Caisse besides had certain contingent claims upon any surplus that might come to the government. In this law there appears definitely for the first time that peculiar arrangement, so important in recent Egyptian financial history, known as the "limit of expenditure." Not only is the Egyptian debt given the first claim on the government revenues, leaving the government dependent for its own expenditures upon the remainder, but a limit is set to this remainder. The limit thus established, £4,898,000, was supposed to represent the normal expenditure of the government. It was to include among other charges the tribute payable to the Porte, and the interest due to Great Britain on the Suez Canal shares. The plan, as will be noted, makes no provision for extraordinary expenditures. Principally for this reason it was modified by the Convention of London five years later. The Law of Liquidation also provided for the consolidation of the debt into four great loans, as follows :

Privileged debt <sup>1</sup> -----	£22,629,800
Unified debt <sup>2</sup> -----	58,043,326
Daira loan <sup>3</sup> -----	9,512,804
Domanis loan <sup>3</sup> -----	8,500,000
Total -----	£98,685,930

<sup>1</sup> "The privileges of the Railway Preference Loan, as fixed by the Goschen-Joubert decree of November, 1876, were maintained, and a further issue of £5,744,000 was authorized. The interest on this stock was secured by the railway and telegraph revenue, and constituted a first charge on the other revenue set apart for the service of the unified debt and the revenue of the harbor of Alexandria." The rate of interest was fixed at five per cent.

<sup>2</sup> "The interest on the unified debt was maintained at four per cent., to be paid from the aforesaid revenues assigned to it, and the charge of this

The Dual Control had scarcely been reëstablished and the Law of Liquidation passed, when new troubles appeared on the financial horizon. There was a general spirit of discontent and of reaction against the extravagant and weak kneed policy so long pursued by the Egyptian government. The apparently increasing power of the Turk was unpopular; the people were entirely out of sympathy with European administrations. Not only the government but the people individually were suffering under a great burden of debt. Their taxes were high and the prices which they required for their produce were falling. All this leavened by a spirit of religious fanaticism furnished good material for revolution. The military revolts, little more than demands for arrears of pay on the part of soldiers, were followed by a more extensive and violent insurrection, known from the name of its leader as the Arabi Revolt, which soon grew to such proportions that British and French squadrons were sent to Alexandria. Even their influence was not sufficient to quell the disturbance. There was much destruction of property and considerable blood shed. England appealed to the European Concert, and to the Sultan,—but in vain. France refused to coöperate with her in any positive measures directed toward the suppression of the revolt. Finally, becoming desperate, England shouldered the responsi-

debt amounting annually to a little more than two millions and a quarter, it was provided that any receipts in excess of this sum should form a sinking fund, to be applied to the purchase and extinction of the stock in the open market."—H. D. Trail, "Lord Cromer," pp. 52, 53.

<sup>3</sup> These loans are secured by mortgages on a property of several hundred thousand acres which once belonged to the Khedivial family. It was given up by them in partial settlement of Ismail's debt. The estates are devoted to the raising of various crops, especially cotton and sugar; the proceeds are used toward paying the interest on the debts, which the property secures. The rate of interest on the Domains loans was fixed at five per cent., and on the Daira loans at our.

bility and assumed the task alone. The story may be told in a few words. On July 11 and 12, 1882, occurred the bombardment of Alexandria, together with the wanton massacre of thousands of innocent people by Arabi's frenzied followers. On the 20th of August, 1882, Sir Garnet (now Lord) Wolsely arrived in Egypt; on September 13, Arabi's army was completely routed at Teb-el-Kebir; on the 14th, Arabi with his revolutionary army of 10,000 men surrendered at Cairo; and on 15th, Sir Garnet Wolsely, at the head of the British expeditionary forces, entered the city. The revolution had been suppressed, and the authority of the Khedive was again formally established.

The natural result of England's victory at Teb-el-Kebir was the abolition of the Dual Control. This was accomplished by a Decree of January 18th, 1883, and on the last of April a constitution was signed by the Khedive establishing the single control.

This single control by no means signifies that England is given absolute power in the administration of the Egyptian government. The Sultan still retains his suzerainty and France refuses to acknowledge definitely the single control of Great Britain. The great powers continue to be represented in the mixed administrations and in the Caisse de la Dette. Neither the Capitulations nor the Consular Courts have been abolished.<sup>1</sup>

<sup>1</sup> Speaking of these international restrictions Sir Alfred Milner says: "I am sadly conscious how difficult it must be, despite all explanations, for a reader not acquainted with Egypt to realize what difficulties beset the every-day business of government—to say nothing of any large scheme of improvement and reform—in consequence of the countless international fetters in which Egypt is bound, the forts and blockhouses of European privilege with which the country is studded. Wherever you turn there is some obstruction in your path. Do you want to clear out a cesspool, to prevent the sale of noxious drugs, to suppress a seditious or immoral print—you are pulled up by the capitulations. Do you want to carry out some big work of public

The expression "single control" to represent England's share in the political administration of Egypt is an unfortunate one. The exact status of this control, it is impossible to define. It means little more, however, than that within all these hampering limitations, Great Britain has established a control which is far more potent than that exercised by any of the other powers. England's own interpretation of this control is indicated by the famous dispatch of Lord Granville, dated January 4th, 1884. It contains these words: "It should be made clear to the Egyptian ministers and governors of provinces that the responsibility which rests for the time on England, obliges her Majesty's government to insist on the adoption of the policy which they recommend, and that it will be necessary that those ministers and governors who do not follow this course should cease to hold their offices."

The next few years, though full of important events, need not detain us long. They are often spoken of by Englishmen as the "years of gloom." A period of reorganization is generally a period of hardships. The recent experiences of the Egyptians with certain British speculators had not tended to increase their confidence in Englishmen. Add to these facts the rigorous financial measures which the condition of the public debt de-

utility—to dig a main canal, or to drain a city—you are pulled up by the Law of Liquidation. You cannot borrow without the consent of Turkey; you cannot draw upon the reserve fund without the consent of the Caisse; you cannot exceed the limit of expenditure without the consent of the powers. Do you, impeded and hampered on every side, finally lose patience and break through, for however good an object, . . . you have a consul-general down upon you at once."

It is to be noted that these advisors and the officers of the various international boards all receive high salaries which are paid out of the Egyptian treasury. The members of the Caisse, for example, are paid an annual salary of ten thousand dollars each for looking after the interests of their own countrymen.

manded, the continuous opposition of France, the great fire in Alexandria, the cholera epidemic, the expensive and disastrous expedition to the Soudan, and we may well realize that England's new position was by no means an easy one.

By 1884 affairs had reached such a pass that a revision of the Law of Liquidation,<sup>1</sup> and the creation of a new loan to meet certain extraordinary expenditures, seemed absolute necessities. For either one of these purposes the consent of the great powers was necessary. After considerable preliminary negotiation, the powers came to an agreement, which was embodied in the London Convention of March, 1885. This convention is a marked improvement on the Law of Liquidation. Its adoption was made possible only after a concession had been made to France providing for the immediate payment of her Alexandrian indemnities, and to Germany and Russia by granting each the right of representation on the Caisse de la Dette. The two most important financial features of the convention were (1) the authorization of a new loan, (2) the modification of the Law of Liquidation in regard to the distribution of the surplus.

The convention empowered the Egyptian government to borrow £9,000,000, the payment of which was to be guaranteed by the powers. It was provided that an annuity of £315,000 should be set aside for the service of the loan, and constitute a first charge upon the revenues

<sup>1</sup> "During the year 1883, the revenues assigned to the debt produced so large a surplus that, after full payment of the interest, it was found possible to redeem £800,000 of the capital. But in the very same year the revenues assigned to administration fell short of the expenditure by more than £E1,600,000. [£E refers to an Egyptian pound. It is the equivalent of £1. os. 6d.] It was clearly ruinous to pay off a funded debt, bearing only four or five per cent. interest, if while so doing the government was obliged to borrow on short loans at much higher rates."—Sir Alfred Milner, "England in Egypt", p. 225.



assigned to the debt. The loan was placed at about three per cent. This annuity, therefore, was sufficient to yield a surplus each year for the reduction of the principal. The loan served to pay off the Alexandrian indemnities, to wipe out the deficit for 1882-1885, and at the same time to leave a surplus of a million dollars which was devoted to new irrigation works.

The other important feature of the convention, the change made in regard to the distribution of the revenues, was in its complexity a typical Egyptian financial measure. The previous division of the revenue into two funds, that assigned to the Caisse, and that assigned to the government, was maintained. An important modification of the Law of Liquidation, however, was made in regard to the distribution of the surplus. Certain expenditures on the part of the government were classified as "authorized" expenditures. The annual sum fixed for these was placed at £ E 5,237,000 (in addition to the sums expended on one or two small variable items).<sup>1</sup> Any deficit the government may have in the revenues which are assigned to "authorized" expenditures is made up out of the annual surplus of the Caisse. If the Caisse after paying its coupons and making up this deficit, still has a surplus in its annual revenue, this surplus is divided equally between the Caisse and the government. By this plan the charges on the public debt are protected, and at the same time a much desired elasticity is given to the government revenues. The principal objection to the measure is that it does not go far enough. In a country like Egypt where the welfare of the individual depends so largely upon government expenditure, in a country advancing indus-

<sup>1</sup> Certain new items have been added from time to time by the powers.

trially as rapidly as she is, it is a serious defect in the financial system, that so little provision is made for extraordinary expenditure. A few years ago, before the payment of the debt was so well assured, and before the credit of the government was placed upon a sound footing, it was probably wise to sacrifice administrative expenditures to public credit. Fortunately for some time the payment of the debt has been assured. As long as Egypt can borrow money for three per cent., she need not be seriously worried about her credit.

The need for increased expenditure on irrigation and public works is at the present time so great that this limitation fixed by the London Convention upon unauthorized expenditure is as inexpedient as it is unnecessary. Two methods of providing for additional expenditures otherwise than by doubling the amount desired, in the form of a surplus, are (1) by getting the consent of the powers to include the particular item under the head of "authorized" expenditures, (2) by obtaining special grants from the general reserve fund of the Caisse.<sup>1</sup>

Both of these methods experience has shown to be rather slow and difficult. This difficulty in regard to the former method is well illustrated in the attempt to abolish the *Corvée* by bringing an expenditure of £ E 250,000 under the head of "authorized" expenditures, and substituting the paid labor obtained by this

<sup>1</sup> There are three separate reserve funds connected with the financial administration of the Egyptian government. These are :

(1) The economies resulting from the partial conversion of the debt which took place in 1890. This money cannot be touched without the consent of the Powers.

(2) The general reserve fund which, with the consent of the Caisse de la Dette, can be applied to certain specified objects.

(3) The special reserve fund, which is at the free disposal of the Egyptian government.—Lord Cromer in the Annual Report of 1898.

sum for the fiscal labor of the Corvée. It took over three years to accomplish the result, although the advisability of the change seems to have been generally admitted. The second method of meeting unauthorized expenditures has been within recent years the more effective one. The character and amount of these grants will be seen by reference to Table III (p. 216). This benevolent action on the part of the Caisse is probably in part due to the provision that as soon as the reserve fund exceeds two millions, amortization of the debt takes place through the operation of the sinking fund. Under present conditions the Caisse realizes that the more profitable way of expending this money is on public works.

From what has been said in regard to the Caisse, it will be seen that its actual powers now far exceed those originally assigned to it. At first a mere board of three representatives appointed at the desire of public creditors to receive certain revenues and pay them out for certain specified purposes, it has now become virtually an *imperium in imperio*. The consent of the Caisse must be obtained by the Government for all important financial measures. The commissions, moreover, are the guardians of the rights belonging to their respective governments in all Egyptian affairs. To quote Sir Alfred Milner: "they even possess a certain legislative power, and many decrees recite in their preamble the adhesion of the Caisse to their provisions. . . . Occupying a position of special trust, possessing a special knowledge of the details of a most complex situation, they are the natural advisers of their respective governments on all questions of a financial character which the Egyptian government may be obliged to submit to the approval of the powers."

Egyptian financial administration, aside from the control exercised by the Caisse and the mixed administrative boards, is in reality under the direction of the Khedive's British financial adviser. Next to the British consul-general, this officer is the most influential European representative in Egypt. He has a veto upon all financial legislation. Without his previous approval no measure involving expenditure can hope to pass the council of ministers—the council whose European advisers constitute the real legislative power in Egypt. On the other hand if the financial adviser does not oppose a decree, it is, as a matter of course, adopted.

The Egyptian people through their representatives have very little power over the administration of the government's finances. There are in Egypt two<sup>1</sup> representative assemblies. The Legislative Council and the General Assembly.

The Legislative Council, which meets monthly, consists of thirty members of whom fourteen are nominated by the government and the remaining sixteen by the provincial assemblies. This Council has no power of initiative. "Its duty is to examine the budget and to discuss draft decrees affecting the internal administration. The Council may propose amendments, but the government is not bound to accept them. In case of rejection, however, it must give its reasons to the Council in writing.

The General Assembly consists of the six ministers of state, the thirty members of the Legislative Council, and forty-six notables. Thirty-five of these notables are chosen from the provincial assemblies, and eleven are nominated by the government. This assembly is convoked by special Khedivial decree. It is supposed to

<sup>1</sup> These were established by a decree of the Khedive, May 1, 1883.

meet once in every two years. Like the Legislative Council it has no initiative in legislation. Unlike the Legislative Council, however, it has a veto on taxation. No new tax can be imposed without its sanction.

So far our discussion has been an attempt to show the general principles of the Egyptian financial administration in the light of their more recent historical development. It has been said that the London Convention and the Law of Liquidation constitute the organic law of Egyptian finance. The changes in the general plan of administration since 1885 have been comparatively unimportant and for all practical purposes may be omitted here. The more important side of the discussion yet remains to be considered. What is the actual condition of the revenues and expenditures of Egypt under this system of administration? In other words how has it worked?

Lord Cromer in his annual report for 1898, says:

"The finances of Egypt have passed through at least three distinct phases during the last fifteen years. During the first phase, which lasted from 1883 to about 1888, the whole efforts of the government had to be directed to the maintenance of financial equilibrium. The circumstances were such as to preclude the possibility either of affording fiscal relief, however necessary, or of incurring additional expenditure, even for the most legitimate objects.

"By 1887 all danger of insolvency was over. The efforts of the reformers, notably those of the irrigation officers, began to bear fruit. The period of surplus set in. It was then decided that fiscal relief should take precedence over additional expenditure. The *Corvée*, which was, in reality, a very heavy and objectionable tax, was therefore abolished at a cost of £ E. 400,000 a year. The land tax was reduced by £ E. 430,000. The professional tax (£ E. 180,000), the sheep and goat tax (£ E. 40,000), the weighing tax (£ E. 28,000), and sundry small taxes (£ E. 31,000) were abolished. In all, a reduction of direct taxation to the extent of £ E. 1,100,000 was accorded. At the same time, the salt tax was reduced by 40 per cent., and the postal and telegraph rates by 50 per cent. The octroi duties were abolished in the smaller provincial towns. The only increase was in the tobacco duty, which was raised from P. I. 14 to P. I. 20 per kilogram.



The period of fiscal relief may be said to have been brought to a close in 1894. It was then thought both possible and desirable to pay more attention than heretofore to the very legitimate demands of the spending departments. Accordingly, money was devoted to remunerative objects, such as drainage and railway extension, and also to others, such as the construction of hospitals, prisons, and other public buildings, the improvements of education, etc., which, although not directly remunerative, are equally necessary to the well being of the country."

The following table gives some idea of the more important items of revenue and expenditure in the Egyptian budget.

CERTAIN IMPORTANT ARTICLES OF THE EGYPTIAN  
BUDGETS FIXED UPON FOR 1898-1899.<sup>1</sup>

[ooo omitted.]

REVENUE.	1898	1899
Land Tax .....	£ E. 4,873	£ E. 4,661
Customs .....	850	900
Tobacco .....	1,000	1,000
Salt .....	180	183
Railways .....	1,800	1,920
Telegraphs .....	47	47
Port of Alexandria .....	130	145
Justice .....	426	480
Actions .....	204	210
All other .....	830	954
Total Ordinary Receipts .....	10,440	10,600

EXPENDITURE.	1898	1899
Civil List of Khedive, etc .....	£ E. 254	£ E. 254
Cost of Administration :		
Council of Ministers .....	4	4
Legislative Council .....	8	8
Ministry of Finance .....	86	87
Public Instruction .....	105	108
Justice .....	392	396
Interior .....	391	394
Foreign Affairs .....	11	11
Public Works .....	630	638
Railways .....	907	957
Ministry of War .....	440	440
Army of Occupation .....	85	85
Pensions .....	439	439
All Other, inc. Tribute and Pub. Debt Charges .....	6,489	6,699
Total .....	10,440	10,560

<sup>1</sup> Prepared from a table given in "Statesman's Year Book," 1899.

The land tax, furnishes nearly half the total revenue, in spite of the fact that there has been a considerable reduction in its rate within recent years. The "Statistical Returns" published by the Egyptian government in February, 1898, shows that the actual amount of the land tax in 1897 was less than it was in 1881 by £ E. 85,691. During the same period there has been an increase of about 13 per cent. in the cultivated area paying taxes. The rate of the tax in 1881 averaged £1 2s. od. per feddan, in 1897, only 18s. 3d. This has been in the past one of the most burdensome of Egyptian taxes. Not only has the rate been very high, but the assessment has been made in such a way that the burden of the tax often fell upon those least able to bear it. This state of affairs still continues to a great degree. A commission, however, has been working for some time on plans for reform, which will probably be put into effect very soon. For the purpose of the tax the cultivated land in Egypt is divided into three classes. (1) The so-called "Khargi" lands. These lands constitute nearly three-fourths of the cultivated area. They are theoretically held in life tenure, the state being the ultimate proprietor. The tax on these lands is unequally imposed, but averages about 22s. per feddan.<sup>1</sup> (2) The "Ushuri" or tithe paying lands. These constitute nearly all the remaining land under cultivation. They were originally granted in fee and are subject to a quit-rent averaging about 7 s. per feddan. (3) The "Wakf" lands are lands which have been assigned to mosques for religious or charitable purposes. In addition to these taxes, the landholders are subject to charges of about 4s. per feddan for the materials necessary for the maintenance of the irrigation system. In cases of

<sup>1</sup>1.04 English acres.

emergency they are still subject to *Corvée* labor. The land tax is collected by accountants established in the various villages. It is paid in installments, which fall due at the times when the principal crops are harvested. With view of rendering financial assistance to the agricultural population, who owing to their own improvidence and the recent oppressive taxation are as a rule deeply in debt and are often unable to pay their taxes, the Government has recently voted £10,000 as an experiment in making advances of £10 and under to petty landowners.

Next to the land tax the railways are the most important source of Egyptian revenue. Of the 1,238 miles of railway in Egypt on January 1, 1897, 1,166 miles were owned and operated by the government. Several other lines are now under construction. The management of the railways like that of the telegraph and the port of Alexandria is in the hands of one of the mixed international commissions established in 1876. The railway commission is composed of three members, an Englishman, a Frenchman and an Egyptian. By international agreement it was early determined that the working expenses of the government railways should not exceed 45 per cent. of the gross receipts. Inasmuch as no additional allowance was made for renewal or extension of plant, the railways have been considerably handicapped in their development by this provision. Since 1893, however, the Caisse has been coming to the rescue by means of advances from her general reserve fund. The net income of the railways together with that of the telegraph and of the port of Alexandria must be paid over to the Caisse to meet the interest on the privileged debt. The following table compiled from the official Egyptian reports and

the "Statesman's Year-Book" shows the condition of the government railway business for the years 1890 to 1897.

TABLE II.—GOVERNMENT RAILWAYS.

Year.	Line (Miles)	MILLION PASSEN- GERS.	GOODS CARRIED. Million Tons.	GROSS RECEIPTS. Million £ E.	NET RECEIPTS. Million £ E.	WORKING EXPENSES. Million £ E.
1890	961	4.7	1.7	1.4	0.7	0.6
1891	992	5.6	2.1	1.6	0.9	0.7
1892	999	7.0	2.2	1.7	1.0	0.7
1893	1,080	9.3	2.1	1.6	0.9	0.7
1894	1,087	9.8	2.4	1.8	1.0	0.8
1895	1,098	9.5	2.4	1.7	1.0	0.8
1896	1,143	9.9	2.5	1.8	1.0	0.8
1897	1,166	10.7	2.8	2.0	1.1	0.9

Customs dues are another source of considerable revenue in Egypt. Unlike most Egyptian financial measures the tariff system is very simple. With the exception of tobacco, uniform ad valorem export duties of one per cent., and import duties of eight per cent. are levied on all goods. The duty on tobacco is a uniform tax of about four shillings per kilogram, regardless of price. The cultivation of tobacco in Egypt is prohibited. The value of goods imported is determined by experts, either on the basis of the purchase price in their original country plus the cost of transportation, or on the basis of the wholesale price at the port of disembarkation, minus a discount of ten per cent. The following table gives an idea of the growth of customs revenue since 1882. The principal articles of import are cotton tissues, metals, cereals, wood and coal; of exports, raw cotton, cereals, vegetables, and sugar. The ratio of the cost of collecting the customs revenue to the gross receipts is said to be about 3 to 62.

## GROWTH OF CUSTOMS REVENUE—1882-1898.

(ooo omitted,)

YEAR.	DUTIES.	TOBACCO.	TOTAL.
1882-----	516	108	624
1883-----	652	106	758
1884-----	652	147	799
1885-----	708	212	920
1886-----	628	304	932
1887-----	648	289	937
1888-----	622	332	959
1889-----	586	441	1,027
1890-----	652	728	1,379
1891-----	808	829	1,636
1892-----	815	655	1,470
1893-----	756	787	1,545
1894-----	825	933	1,758
1895-----	770	969	1,739
1896-----	890	1,006	1,896
1897-----	935	1,005	1,979
1898-----	959	1,081	2,040

The items of expenditure, not already referred to, that probably deserve special mention are those coming under the heads of public works and public instruction. The item under the head of public works most deserving of attention is that of irrigation. Egypt is pre-eminently an agricultural country, over 61 per cent. of her population are engaged in agricultural labor. The vast tracts of land cultivated by these people are dependent for their irrigation almost entirely upon the Nile river. "In Upper Egypt rain practically never falls. Even in Lower Egypt it is a negligible quantity." Sufficient irrigation for certain crops can be obtained by the unaided action of the river, but for thousands of years it has been known that the efficiency of the soil could be greatly increased by artificial means of irrigation. No kind of expenditure on the part of the Egyptian government has paid so well in the past as that devoted to works of irrigation; no other sort of investment so directly benefits the great mass of the



Egyptian people.<sup>1</sup> Fortunately the Egyptian government is beginning to realize this. The total expenditure on the irrigation budget in 1897 amounted to over £900,000. During the same year the Caisse made a special grant of £530,000 for new irrigation works. The great dam now in course of construction across the Nile at Assuan will, when completed, be a work of such magnitude as to almost cause the ancient sphynx to hide its face with envy. The dam is being built of granite ashlar; it will be seventy-six feet high in places, have approaches nearly a mile and a quarter long, and will be able to contain, it is estimated, a billion tons of water.<sup>2</sup> The contractors are to receive from the Egyptian government for this task "semestrial payments of £78,613 over a period of thirty years, beginning from the 1st July, 1903."<sup>3</sup> The success of this proposed plan of irrigation is already assured. Of this project Lord Cromer says in his report for 1898: "I am aware that it may at first sight appear a somewhat hazardous financial undertaking to increase the liabilities of the Egyptian treasury whilst the Soudan question is still only partially settled. . . . My belief is, not only that this danger is apparent rather than real, but also that the expenditure of capital to improve the water supply of Egypt, and thus increase the revenue, affords the best and most certain way out of any financial difficulties which may be impending by reason of the whole or partial reoccupation of the Soudan."

Another department of Egyptian expenditure which has great possibilities for the future, is that of public

<sup>1</sup> It is estimated that the development of cotton culture due to the completion of the barrage at Cairo yields to the government annually a revenue of at least ten million dollars.

<sup>2</sup> Penfield, "Present Day Egypt," p. 151.

<sup>3</sup> Annual Report of Lord Cromer, for 1898.

instruction. In 1897 it is said that of the entire Egyptian population, only 467,886 or 4.8 per cent. could read and write. Every year, however, the government is paying more attention to the work of public instruction. Of a total of 227,409 pupils in Egyptian schools in 1897, 10,859 were under the immediate direction of the department of Public Instruction. According to Mr. White, the ministry of Public Instruction has three budgets, the first is the annual government grant, which of recent years has tended to increase steadily, the second is a "special fund derived from the management of estates which Ismail constituted into a Wakf and to which he made other donations. And lastly, there is the annual subsidy paid by the Wakf's administration in support of their primary schools in Cairo which the government took over in 1889." Mr. White estimates the net annual expenditure of the Ministry of Public Instruction at between £ E. 90,000 and £ E. 100,000. The expenditure on public instruction thus shows an increase of something like thirty-seven per cent. over that of 1881.

The character of the other items of revenue and expenditure does not require any detailed description. Taken as a whole the facts seem to show that Egypt's finances are to-day in a far better condition than when England came into control. The following somewhat disconnected facts selected from the "Statistical Returns"<sup>1</sup> (1881-1897) will perhaps serve to summarize Egypt's financial progress since the establishment of the "single control." "The taxation per head of population in 1881 was £1, 2 s., 6 d. In 1897 it was 17 s., 9 d. "212 miles of new railway have been opened."

<sup>1</sup>Quoted by A. Sylva White in "The Expansion of Egypt", pp. 196, 197, 198.

“Large sums of money have been expended of late years on irrigation, *i. e.*, on reproductive works.” “The number of men called out on *corvée* has been reduced from 281,000 to 11,000.” “Imports have increased by over £2,600,000; while, notwithstanding the enormous fall in the price of cotton and sugar, there has been only a slight falling off in the value of exports.” “The amount of bonds outstanding in the market in 1881 was £98,376,660, Sterling. In 1897 it was £98,035,780, Sterling—notwithstanding £13,219,000, Sterling, of fresh debt raised to cover extraordinary expenditure, and £3,400,000, Sterling, increase of capital due to conversion. The interest charge in 1881 was £4,235,921. In 1897 it was £3,908,684.” “The market price of 5 per cent. Privileged Debt in 1881 was £96¼. In 1897 the market price of the same Debt converted into 3½ per cent. was £102.” “The 4 per cent. Unified Debt was £71¾ in 1881, and at £106½ in 1897.” “The amount of debt per head of population was in 1881, £14, 8 s., 9d. It is to-day (1897) £10, 0 s., 2 d.”

E. W. KEMMERER.

TABLE I.

## REVENUE AND EXPENDITURE (IN MILLIONS OF POUNDS EGYPTIAN.)

YEAR.	Revenue received from Taxation.			Miscellaneous, includ. Extra-ordinary Receipts.	Railways, Telegraphs, Post Offices, etc.	Total Receipts	Ordinary Expenditure.	Extraordinary Expenditure.	Total.	Surplus (or Deficit), includ. Extraordinary Expenditure.
	Direct Tax.	Indirect Tax.	Total.							
	£ E.	£ E.	£ E.	£ E.	£ E.	£ E.	£ E.	£ E.	£ E.	£ E.
1881	5.3	2.1	7.4	0.3	1.5	9.2	8.3	0.4	8.7	0.5
1882	5.4	1.8	7.2	0.3	1.4	8.9	8.8	0.3	9.0	-0.2
1883	5.2	2.0	7.2	0.2	1.4	8.9	8.6	1.6	10.2	-1.3
1884	5.4	2.1	7.5	0.2	1.7	9.4	9.3	0.8	10.1	-0.7
1885	5.4	2.2	7.6	0.7	1.8	10.2	9.3	4.6	13.9	-3.7
1886	5.4	2.2	7.6	0.6	1.5	9.7	9.6	0.7	10.3	-0.5
1887	5.5	2.2	7.7	0.4	1.6	9.8	9.2	0.9	10.1	-0.3
1888	5.5	2.3	7.7	0.6	1.6	9.9	9.6	2.0	11.6	-1.8
1889	5.5	2.4	7.8	0.6	1.6	10.0	9.5	0.5	10.0	-0.0
1890	5.5	2.7	8.2	0.5	1.7	10.4	9.6	0.9	10.5	-0.1
1891	5.3	3.0	8.3	0.6	1.9	10.8	9.5	0.5	10.0	0.7
1892	5.2	2.7	8.0	0.5	2.0	10.5	9.6	0.3	9.9	0.5
1893	5.1	2.9	8.0	0.5	1.9	10.4	9.6	0.4	10.0	0.4
1894	4.7	3.1	7.8	0.5	2.0	10.4	9.5	0.4	9.9	0.5
1895	5.1	3.0	8.1	0.6	2.0	10.7	9.5	0.2	9.6	1.1
1896	5.0	3.2	8.2	0.7	2.1	11.0	9.6	0.9	10.5	0.5
1897	5.0	3.4	8.4	0.8	2.2	11.4	9.8	1.0	10.8	0.7

TABLE II.  
RECAPITULATION OF LOANS, (IN MILLIONS OF POUNDS  
STERLING.)

Year.	Guaranteed Debt. Outstanding Jan. 1.	Privileged Debt. Outstanding Jan. 1.	Unified Debt. Outstanding Jan. 1.	Domains Debt. Outstanding Jan. 1.	Daira Samieh Debt. Outstanding Jan. 1.	GRAND TOTAL.		Bonds held by Public Debt Commission.
	Total Debt.	Interest and Sinking Fund.						
	£ stg.	£ stg.	£ stg.	£ stg.	£ stg.	£ stg.	£ E.	£ stg.
1881	-----	22.6	57.8	8.5	9.5	98.4	4.2	-----
1882	-----	22.5	57.0	8.4	9.3	97.2	4.2	-----
1883	-----	22.5	56.7	8.3	9.0	96.5	4.2	-----
1884	-----	22.4	56.0	7.8	8.8	95.0	4.1	-----
1885	9.4	22.3	56.0	7.7	8.8	104.2	4.1	-----
1886	9.4	22.3	56.0	7.5	8.7	103.9	4.3	-----
1887	9.3	22.3	56.0	7.4	8.7	103.6	4.3	-----
1888	9.2	22.3	56.0	6.9	8.6	103.0	4.3	-----
1889	9.2	22.3	56.0	5.5	8.6	101.6	4.3	0.6
1890	9.1	22.3	56.0	5.2	8.6	101.2	4.2	0.8
1891	9.1	29.4	56.0	5.0	7.3	106.8	4.0	1.2
1892	9.0	29.4	56.0	4.9	7.3	106.5	4.0	1.9
1893	8.9	29.4	56.0	4.8	7.2	106.4	4.0	2.5
1894	8.8	29.4	56.0	4.2	7.0	105.5	3.9	2.7
1895	8.8	29.4	56.0	4.0	6.6	104.8	3.9	3.5
1896	8.7	29.4	56.0	3.9	6.6	104.6	3.9	4.1
1897	8.6	29.4	56.0	3.8	6.6	104.4	3.9	5.0
1898	8.6	29.4	56.0	3.5	6.4	103.9	-----	5.8



TABLE III.—GENERAL RESERVE FUND OF CAISSE,  
(IN THOUSANDS OF POUNDS EGYPTIAN.)

Year.	Opening Balance.	Share of Surplus.	Proceeds of Sale of Land.	Interest on Investment.	Miscellaneous.	Total.	Expenditure. <sup>1</sup>	ADVANCES.			Closing Balance.	Advances guaranteed by Reserve Fund & Expenditures to be Inc.	Balance.
								Buildings.	Railways.	Total.			
£E	£E	£E	£E	£E	£E	£E	£E	£E	£E	£E	£E	£E	£E
1887	---	68	---	---	---	408	---	---	---	---	408	---	408
1888	408	93	50	20	---	572	---	---	---	---	572	---	572
1889	572	130	42	30	---	775	---	20	---	20	754	---	754
1890	754	385	79	37	---	1,256	---	3	---	3	1,253	---	1,253
1891	1,253	445	12	57	1	1,769	32	1	---	33	1,735	677	1,059
1892	1,735	259	24	71	2	2,091	133	---	---	133	1,958	756	1,201
1893	1,958	257	16	67	15	2,313	---	---	495	495	1,818	787	1,030
1894	1,818	224	29	73	55	2,200	---	---	---	---	2,200	1,512	1,688
1895	2,200	354	11	84	42	2,691	16	19	124	159	2,532	1,327	1,205
1896	2,532	455	37	89	60	3,172	18	13	100	131	3,041	1,350	1,691
1897	3,041	630	41	115	47	3,874	43	---	6	319	3,554	1,893	1,661

<sup>1</sup> The expenditures are all for construction of public buildings except £E250,000 for drainage and irrigation and £E20,000 for other purposes in 1897.

# FINANCES OF BRITISH POSSESSIONS IN SOUTH AFRICA.

## INTRODUCTION.

The present division of the territory subject to British rule in South Africa according to governmental forms is comparatively simple. Two self-governing colonies, the Cape, and Natal ; the region known as Rhodesia, governed by the British South African Company, and two protectorates, Basutoland and Bechuanaland, exhaust the present political divisions of the country. But this comparative simplicity is the result of a century of experimentation which, in the course of its progress, created all the forms of government control known in British Colonial experience, with an infinite variety of modulations. The frequent transfers of territory from one authority to another, and the appearance of new forms of control in the same region, constitute a history, bewildering in its details, which cannot readily be grasped by the foreign observer.

Yet while a detailed recital of the fortunes of these territories would be out of place here, some indication of the lines of development is necessary for a proper comprehension of the problems of government and finance which they offer. The story of British rule in Africa is the history of conflict with the natives on the one hand and the Boers on the other. In another light it is the story of the expansion of Cape Colony. This expansion has gone on at times directly under the auspices of the colonial government, at others under the direct initiation of the Imperial government. But in any consideration of the progress of South Africa during

our century, Cape Colony is the starting point and the nerve centre from which the various conflicting impulses have proceeded.

The territory which surrendered to the British forces in 1806, and was finally ceded to Great Britain by the Congress of Vienna some eight years later, was very restricted in area. It included little beyond the immediate vicinity of Cape Town and Table Bay. Its population numbered some 73,633 souls, of whom 26,720 were of European descent, 17,657 Hottentots, and 29,256 slaves. For a time no active work of settlement was undertaken. The rulers were English, the inhabitants Dutch. In 1820 Parliament voted £50,000 for the promotion of colonization, and 90,000 persons made application to be sent to the Cape. In this first emigration there were about 3,800 persons. The more westerly regions of the colony in the vicinity of Cape Town being in the hands of the Dutch residents, the newcomers settled further to the east, at Port Elizabeth and in the region of Albany. This brought them into direct contact with the Kaffirs, a more vigorous type of native than the Hottentots, whom the Dutch had already succeeded in holding in order. Thus the foundation was laid for a long series of encroachments upon native rule, which have in the course of a century entirely eliminated independent native control in any part of South Africa.

Whether the natives have always been entirely at fault in their conflicts with the whites is a question not to be discussed here. Enough for our present purposes that border troubles, whether provoked by the attitude of the settlers, or arising from the predatory instincts of the natives, have always been the occasion of the interference of the whites in native affairs. This interference has advanced by regular steps. It was soon found

that mere punitive expeditions against the border tribes had little effect, and that if native control was to be permitted to exist at all it must be regulated by the Europeans. Wherever the borders of the direct British territory may have been, we find on those borders protectorates arising. These protectorates recognized the authority of the chiefs in purely internal matters, but placed beside them a Resident Commissioner to represent British authority, to guard over the interests of the whites, and to repress if possible the outbreak of race conflicts. As the frontier advanced these protectorates became crown colonies of Great Britain, or were merged into existing colonies, while new protectorates grew up in the new border districts. This in particular has been the story of the advance of British rule towards the East which has gradually brought all the territory from Cape Town to the Natal boundary under the control of the British and under the administration of the Cape Colony. This district, now familiarly known as the Transkeian region, figured on older maps simply as Kaffirland. Later we see the name British Kaffraria, which in recent years has disappeared from the maps. At the same time the peculiar governmental conditions which existed prior to its incorporation in Cape Colony have not yet wholly disappeared. It is now a colony within a colony, or rather a territory of the Cape Colony, not sharing in the same way in the Cape Town government as other regions of the colony yet subject to its control.

An analogous development has taken place further to the east in the relations of Natal to Zululand. The splendid military organization created by a series of able chiefs rendered the Zulu territory a constant menace to the Colony. It was only after a bloody conflict

that the Zulu power was broken. The chiefs were taken under the tutelage of Great Britain and a protectorate proclaimed over their territory. The region has since been ceded in December, 1897, to the Colony of Natal and is now governed as a dependency of that colony, which maintains as does the Cape in the Transkeian region the same powers of control which formerly belonged directly to the British Crown.

To the north and through the central part of Southern Africa we first find a somewhat similar development. Until 1895 we find north of the Orange River the Crown Colony of British Bechuanaland, beyond this the Bechuanaland protectorate, and still further to the north the territories of the British South African Company, representing three different degrees of control. In 1895, however, British Bechuanaland was incorporated in the Cape Colony, the Bechuanaland protectorate still exists while the governmental interference and control has increased in the regions of the chartered Company. At first the authority of the company rested upon treaties formed with native chiefs, but since the Transvaal raid of Dr. Jameson the English government has established its own magistrates in this district, and practically assumed the political control of the region leaving the industrial and economic exploitation of the region in the hands of the Company.

The development of British rule in South Africa has been on the one hand a series of encroachments upon native territory. On the other it has been since 1836 a series of conflicts both warlike and diplomatic with the Boers. It is needless to recite the causes which brought about the discontent of the Dutch population in the Cape Colony early in the thirties. Enough that great bodies of them became disaffected and emigrated



into new regions where British rule was unknown and where they hoped to escape from British authority. They made their first halting place in Natal where in 1839 they established themselves after a severe struggle with the native inhabitants. Britain regarded them as British subjects and would not consent to the establishment of an independent government. In 1842 an armed force entered Natal and after meeting with some reverses subdued the Boers. From that time onward Natal was ruled as a British colony.

Nothing daunted the more enterprising Boers refusing submission, crossed the formidable Drakensberg Mountains and settled in the regions of the upper courses of the Orange River. Here they were joined by disaffected Boers from the Cape Colony and formed the nucleus of the present republican states. Towards these colonists Great Britain's policy has been wavering, seeking at times to coerce them into submission and disposed at other periods to leave them to their own devices. But whatever may have been her policy as regards the internal affairs of the two republics, she has been ever zealous to limit their territory. It has been this rivalry between the Boer and the Britain which has stimulated the advance of British rule in South Africa. Great Britain has sedulously endeavored to prevent their gaining an outlet to the sea and in this effort she has gained control of the sea coast from the German dominions in West Africa to the Portuguese territory on the eastern coast. She has diplomatically stiffened the back of Portugal to prevent her from ceding any part of her territory to other powers, and has established a species of first mortgage on Delagoa Bay should Portugal ever be disposed to part with that possession.

Physical barriers cut off the Boer republics from the

sea coast but no well defined physical lines separate them on the West and North from British territory. The natural expansion of the Boer power would have occurred towards the west had not Great Britain by seizing these territories while still under native rule set limits to the territorial extension of Boer rule.

Thus we see that the present distribution of power in Southern Africa has been the result of this continual encroachment upon native territory stimulated and hastened by the rivalry with the Boer.<sup>1</sup> In this development various forms of governmental control have arisen and have disappeared. It has been a continual shifting of authority and power, and while we may not have space to trace all the details of its history, a general view of the antecedents of the present territorial divisions is helpful to a comprehension of the existing conditions.

#### CAPE COLONY.

*Government.* Prior to the year 1872, Cape Colony was governed as a crown colony. The Governor, appointed by England, had entire control of legislation as well as administration. In his labors he was assisted by an appointed Council. His functions included not only the government of the more settled portions of the Colony, but also the conduct of all relations with the native tribes. He was the representative of British power in South Africa. With the establishment of self-government for the Cape Colony, the governor has retained these miscellaneous functions not only in relation to the native tribes within the Colony, but also to the whole of South Africa, having received in addition to his title as Governor of the Cape the further dignity of High Commissioner for South Africa.

<sup>1</sup> These lines were written in September, 1899.

With the establishment of self-government in the year 1872, the control of the colonial affairs passed into the hands of the colonists themselves, with the exception of such as were reserved to the Imperial government. The governor is appointed by the Crown, and possesses the prerogatives which are usually attached to that office. His position is similar to that of the monarch under a constitutional form of government. He has the right to appoint and dismiss his ministers, though the latter must always be in harmony with the Parliament. With regard to legislation, he approves or withholds his assent from the measures of Parliament or can reserve them for the approval of the Queen. All appropriations must be approved by him before they are submitted to the Parliament. Bills may be returned to Parliament for amendment.

The control of the mother country over the affairs of the Colony is confined to the Executive and Judiciary, as the courts of Great Britain are the ultimate arbiters of cases which arise in the colonial courts.

The Ministry, or Cabinet, is composed of five members, the definition of whose duties gives a general idea of the functions of government. The Premier is not assigned to any particular portfolio. His colleagues are the Colonial Secretary, whose office supervises the civil service, the various divisions of the Colony, and controls the post and telegraph departments, deeds, registry, defence, education, hospitals, and asylums; the Attorney General, the law adviser and public prosecutor, who controls the department of administration and justice, the convict establishments and police; the Treasurer General who is the financial officer in charge of all taxation, and to whom is entrusted also the departments of agriculture and mines; the Commissioner

of Crown Lands and Public Works who supervises railroads and other public works, light houses, and harbors; and the Secretary for Native Affairs in charge of all relations with the aboriginal tribes. The ministers receive a salary of £1500 per annum.

The Legislature consists of two houses: the Council of 22 members, and the Assembly of 76 members, the members of both houses being elected by popular vote. A property qualification, namely, the possession of immovable property to the amount of £4000, or of movable and immovable property to the value of £4000, is prescribed for members of the Council. They are elected from eight electoral circles or provinces, seven of which return three members, and one (Griqualand West) returns one member. To the Assembly any qualified voter may be elected. The franchise is confined to voters who are British subjects, resident in the colony for 12 months prior to registration, and who occupied property to the value of £75 or received salary of not less than £50 annually. There is no distinction of race or color.

*Local Government and Finance.*—Local government is in the hands of divisional councils elected by the taxpayers. There are also municipal governments in the larger towns, village boards in the smaller communities, and harbor boards in a few sections which have an independent and autonomous existence.

There are in the colony (1898) seventy-four of these divisional councils. They are charged with the maintenance of roads, the protection of the country from noxious plants and wild animals, the settlement of questions relating to land boundaries, and the inspection of crown lands which it is proposed to offer for sale. They have independent powers of taxation and raise in this

way the greater part of the necessary revenue. But as population is very sparse, the outlay in the different localities is as a rule small. It attains considerable proportions only in the divisions of the Cape when expenditures were £40,575 in 1898. Next in order follow Port Elizabeth, £9,068, and Kimberly, £7,325, while the remaining seventy-one divisions are represented by much smaller quotas. This can be gathered from the following statement of receipts and expenditures for all these bodies :

	Receipts.	Expenditures.
1894-----	£179,611	£174,254
1895-----	176,719	179,180
1896-----	163,533	174,722
1897-----	178,709	166,860
1898-----	174,238	175,984

An analysis of a single year (1898) will suffice to show the nature of the financial operations of these bodies.

Receipts.	1898.
Rates, road, special, health and taxes -----	£133,642
Tolls and ferries -----	20,472
Loans raised -----	98
Interest received -----	938
Subscriptions for roads and grants from the colony -----	10,347
Miscellaneous, including proceeds of pound, sales, leases, fines, etc -----	8,741
Total -----	£174,238
Expenditures.	
Salaries and allowances to officers -----	25,524
Roads, streets, bridges, and materials -----	123,218
Loans repaid -----	2,474
Interest paid -----	1,820
Miscellaneous -----	22,948
Total -----	£175,984

The items of interest paid and received point to bank balances and to debts. The latter on Dec. 31, 1898, including bank overdrafts, amounted to £41,309.

Rather more important in their financial relations are



the municipalities, of which there were eighty-four in 1898. For the most part they are small towns of little importance, since four of their number—Cape Town, with expenditures of £298,843; Port Elizabeth, with £92,376; Graham's Town, with £48,571, and Kimberly, with £43,941—spent nearly one-half of the entire sum reported as spent by such bodies in 1898. The aggregate financial operations of all cities have been in recent years:

	Receipts.	Expenditures.
1894-----	£799,358	£548,302
1895-----	457,629	596,049
1896-----	511,255	580,833
1897-----	603,692	617,555
1898-----	778,445	806,336

The figures for 1897 and 1898 are not quite complete, since returns for some of the minor towns are lacking. Using, therefore, the figures for 1896, an analysis of the receipts and payments will afford us some insight into the activities of these city governments.

	Receipts.	1896.
Municipal, water, and other rates and taxes-----		£267,329
Market dues-----		24,608
Pound fees, leases of pounds, pound sales-----		1,552
Registration and other fees and fines, etc-----		6,778
Licenses (to graze cattle, exercise trades, fell timber, etc.)-		7,008
Hire of hall, house, and land rent, sale of land and lease of brick lands, etc-----		46,940
Loans raised-----		102,458
Loans repaid-----		13,765
Interest received and debts recovered-----		37,208
Total-----		£511,255
	Expenditures.	
Salaries and allowances to officers and collectors of rates--	£	62,966
Water works, roads, streets, bridges, materials, etc-----		316,523
Fire engine establishment-----		4,840
Debts and interest paid-----		146,220
Rent-----		807
Contribution in aid of police-----		15,517
Miscellaneous, including refunds-----		33,960
Total-----		£580,833

In these totals, debts and interest charges play a larger role than in the case of the divisional councils. In fact, on Dec. 31, 1898, the outstanding debts of the cities amounted to £1,859,425, in which the share of Cape Town was £810,171.

There are seventy-seven village boards throughout the colony, which in 1898 spent for public purposes £10,933.

There are, furthermore, five Harbor Boards in the colony with the following financial operations in 1898:

Receipts.		Expenditures.	
Loans .....	£348,889	Construction.....	£341,134
Revenue .....	471,916	Maintenance.....	362,902
Other.....	62	Interest.....	77,198
		Other.....	66
Total .....	£820,867	Total .....	£781,300

The outstanding debt of these corporate bodies Dec. 31, 1898, was £3,106,475.

*Revenue System of the Colony.* The revenue of the Cape Colony is derived exclusively from colonial resources. The colonial budget receives no direct contribution from the Imperial Treasury. Whatever aid comes to the Colony from the mother country is found in expenditure in behalf of the colony and will be treated under that head.

The ordinary revenue of the Colony is derived from three principal sources, classified in the financial statements as follows:—taxation, the Colonial estate, and public services.

The relative importance of the various sources of income is shown in the following statement for the year ending June 30, 1898.

Taxation .....	£2,318,190
Colonial estate .....	336,954
Services rendered.....	3,695,198
Other income.....	186,133
Total ordinary revenue .....	£6,536,475

Under the head of taxation by far the most important branch of revenue is the customs duties, which amounted in the year 1898 to £1,803,316.

The custom duties are regulated by a treaty forming the South African Customs Union. This originated in the year 1888 by an agreement between representatives of the colonies of Cape of Good Hope and Natal, and the Orange Free State. The Colony of Natal refused to ratify the Customs Union thus drawn up. It has, however, been enlarged by the addition of Bechuana-land, before its incorporation as a part of Cape Colony, and by Basutoland. The principles governing this Union are a uniform tariff upon all goods imported into the Union, and absolute free trade between the territories which are parties to the Union. The collection of duties is cared for by each contracting government for the goods which cross its boundaries. Whenever goods are to be sent to another country, it is the duty of the government collecting the duties to transfer  $\frac{3}{4}$  of the amount collected to the government for whose country such goods are destined. As the internal trade of Africa is small it is in practice therefore, to a large extent, the government of the Cape, which acts as the executive organ of the Union. At the time of this formation, it was hoped that the South African Republic might be induced to become a party to the compact, but these hopes have not been realized. The tariff which is in force is uniform throughout. As the Union includes the Orange Republic, it is obvious that no privileged position could have been granted to goods imported from the mother country. It is, however, equally obvious that no duties are collected upon goods which are introduced into the Union for the purposes of the Imperial

Government, or for the government goods of any of the contracting parties.

While a statement of tariff rates would throw some light upon the nature of customs taxation, the mere enumeration of rates would give no clue to the importance of various articles in the fiscal system of the colony. We have, therefore, selected the articles or groups which in 1898 produced a customs revenue of £20,000, and with reference to the values of these goods, have calculated ad valorem rates of actual taxation. This information is given in the following statement :

	Customs Revenue. [ooo omitted.]	Value of Imports.	Calculated Rate of Duty. Per Cent.
Wheat .....	£ 210	£ 781	26.83
Sugar, unrefined .....	109	390	28.01
Haberdashery and millinery .....	106	1,277	8.28
Whiskey .....	76	86	88.31
Apparel and slops .....	59	729	5.13
Cotton piece goods .....	58	699	8.25
Hardware not specified .....	51	732	6.95
Ale and beer .....	49	101	48.43
Boots and shoes .....	43	527	8.24
Cigars .....	34	51	67.52
Butter .....	32	152	20.11
Mineral oil .....	30	73	40.89
Preserved fish .....	28	90	31.08
Cigarettes .....	28	48	57.32
Furniture and cabinet ware .....	27	336	7.87
Cheese .....	26	68	38.84
Dynamite and blasting powder .....	26	115	22.75
Soap, common brown .....	24	88	27.80
Meats, preserved .....	23	109	20.73
Candles .....	21	49	43.67
Hosiery, cotton .....	21	270	7.73
Drugs and chemicals .....	20	177	11.57
Total .....	£1,081		

Other forms of taxation accordingly produced, in 1898, £514,874; of these by far the most important were transfer duties (£122,473); stamp duties (£201,456) and licenses (£147,916).

The income from the colonial estate includes the revenue arising from the sale of lands, mining rights, and similar sources of revenue. With the growth of the Colony, and the gradual alienation of the public lands, this source of revenue becomes less important. In this group is included, moreover, the proceeds of the hut tax (1898, £81,473). This is collected particularly in the Transkeian District to which allusion has already been made. Here the natives retain their tribal organization, and contribute to the government expenses through this primitive method. The hut tax is found pretty generally throughout South Africa. It varies in amount, though the probable annual average is in the neighborhood of 10 shillings per hut.

At the present time, the most important source of revenue in the Cape is the group designated as public services, which includes the railway, telegraph, and postal revenue. The receipts from railways are by far the most important. How far the figures which occur in the budget represent net profits can only be understood by a reference to the expenditures for this purpose. The net gain to the State is something in the neighborhood of £1,000,000 per annum. In the revenue attributed to public services in 1898, in the aggregate £3,695,198, the share of railway receipts was £3,101,818, of telegraph receipts £150,971 and post office income £327,737. As all of these receipts are offset by corresponding payments, these topics can be more advantageously treated under the head of expenditures.

In the miscellaneous receipts which in the aggregate are small, the most notable item appears to be interest and premiums (£148,198 in 1898).

*Public Expenditure.* The ordinary expenditure of Cape Colony for the fiscal year 1898 amounted to



£7,082,235. Some leading items of expenditure were

Public debt.....	£1,248,700
Railroads, working and maintenance.....	2,058,587
Defence.....	485,338
Police and jails.....	534,896
Civil establishment.....	176,210

The expenditure for the public debt occupies a comparatively large place in the budget. As will be seen when we come to the history of the public debt, a very large portion of it has been credited for what are termed "productive investments", the greater part of it having been expended in the construction of railroads. Of the debt outstanding December 31st, 1898, amounting to £28,377,922, £5,247,003 had been applied to purposes which are commonly described as unproductive.

The expenditure for railroads represents in the main the operating expenses of the railroad lines. Of course, here, as elsewhere, the line is difficult to draw between operating expenses and permanent improvements in construction and equipment. It is believed that the Cape Government has followed in this respect a conservative course. The statement is made "That Civil Services which properly belong to railway construction have, from time to time, been provided for in the ordinary votes for the working and maintenance of railways, and their cost is thus included in the ordinary expenditure of the colony."

It appears, moreover, that the administration has applied some part of its earnings directly to railway construction, before making a return to the fiscal authorities. Such expenditure which, up to June 30, 1891, was estimated at one million and a half, would naturally diminish the receipts drawn from this source.

The development of the railroad system has been a

characteristic feature of government activity in the Cape Colony. Of this development, Noble says :

“ But among the undertakings which, more especially of late years, have marked the enterprising spirit of the colony, has been the energetic expansion of its railway system. The first railway was projected during the governorship of Sir George Grey, who turned the first sod of the Cape Town and Wellington line on the 31st of March, 1859. This line, fifty-eight miles in length was constructed by an English company under a guarantee of a rate of interest of 6 per cent. per annum on a sum of £500,000. In 1862 private colonial enterprise started a short branch line, from Salt River to Wynberg, without any guarantee or subsidy ; and later on another line, from Port Elizabeth to Uitenhage, was commenced by a private company. All these lines, however, afterwards passed by purchase into the hands of the government. In 1874, consequent upon the general prosperity resulting from the discovery and development of the diamond mines in Griqualand West, legislative authority was given for carrying on railway construction upon a large scale from the three principal seaports of the colony,—Cape Town, Port Elizabeth, and East London. Subsequently, these works were authorized to be extended inland, forming three main systems, converging towards Kimberley and the Orange Free State, and afterwards junction lines were formed connecting them with one another.”

The further development of railway activity in South Africa was due to the Customs Union already mentioned. The same conference which settled the basis of the Customs Union also made an agreement with the government of the Orange Free State for the extension of the railway system.

“The Orange Free State Government, having thus been placed in receipt of a share of customs duties estimated to yield an addition to its revenue of £100,000 per annum, at once resolved upon railway extension within its own border, in junction with the colonial lines; and, after negotiations, an arrangement was come to, in terms of a convention, by which the Cape Government undertook to construct and work a through line from the Orange River to the Vaal River, connecting with the Witwatersrand gold-fields, until such time as the State is prepared to acquire the line by purchase. This Convention established the principle in South Africa of the government of a maritime colony undertaking the construction and working of a railway in territory beyond its political jurisdiction. It was followed up by an agreement being concluded between the Cape Government and the Netherlands South African Railway Company, under sanction and guarantee of the South African Republic, for the speedy completion of the railway from the northern banks of the Vaal River to Johannesburg and Pretoria, running powers and through traffic arrangements over these lines (89 miles in length) being granted to the Cape administration until December, 1894, in return for an advance of funds at a fair rate of interest.”

The success of the railway policy of the Cape from the financial point of view is described by Noble as follows :

“It only remains to consider how far the construction of railways has proved a profitable investment; and as it is quite impossible to reduce to figures the enormous indirect advantages of cheap and speedy transport between different parts of the Colony, attention is necessarily confined to its purely commercial aspect as an investment.

"From this point of view it must be admitted that for a number of years, the railways of the Colony did not pay full interest on the capital invested, and indeed some lines do not even yet pay their working expenses.

"In June, 1891, the Controller and Auditor-General prepared an account showing approximately the capital expenditure on government railways, the interest actually paid on such capital, and the net profits on the working of such railways from the 1st of January, 1873, to the 30th of June, 1890. According to this account the net profits, or excess of revenue over working expenses, from 1873 to 1890 amounted to £4,635,907, while the interest actually paid on borrowed capital amounted to about £5,967,795, showing in 16½ years an excess of interest paid over the net profits of £1,331,888, or an average loss of about £80,750 per annum. The direct loss during the above period is really considerably more than is here stated, for no interest has been charged on the large contribution from surplus revenue, whether duly authorized to be appropriated for railway purposes or temporarily advanced. Nor has interest been charged on the railway loans repaid out of current revenue."

The successive annual reports of the General Manager of Railways, however, show that in recent years the colonial railways have, as a whole, returned a very fair interest on the capital, as follows :

Calendar Year.	Capital Expended.	Capital Entitled to Interest. [ooo omitted.]	Net Earnings.	Percentage of Earnings on Capital.		
				£	s	d
1888 .....	14,214	14,214	695	4	17	10
1889 .....	14,527	14,283	822	5	15	1
1890 .....	16,264	14,656	849	5	15	10
1891 .....	18,175	16,687	779	4	13	4

While the above averages are very satisfactory, this

condition is due to the fact that, while several lines pay very well, one line in particular, viz., the main line on the Midland System, yields a splendid return, which more than covers the losses on certain other lines. For example, this main line has yielded the following percentages on its capital: In 1888, £12 4s. 11d. per cent.; in 1889, £13 6s. 9d. per cent.; in 1890, £13 8s. 10d. per cent.; and in 1891, £11 9s. 9d. per cent. On the other hand, several lines usually show a deficit—that is to say, the revenue does not even cover the working expenses. Thus, in 1888, the line to Graaff Reinet showed a deficit of £14,524 or a loss of £1 1s. 1d. per cent. on the capital in excess of interest paid thereon. On the King Williamstown branch the loss on a very much smaller capital was £1 15s. 11d. per cent. Besides these there were two other smaller losses. In 1889 five lines showed losses, of which the largest—that on the Graaff Reinet line—was £11,854, or £0 17s. 2d. per cent., while the largest percentage loss was £1 1s. 6d. per cent. In 1890, four lines showed losses, the highest percentage being £0 16s. 10d. per cent. In 1891, four lines again showed losses, the heaviest loss as well as the largest percentage (£1 11s. 7d. per cent.) being on the line from Wynberg to Simon's Town."

The development of the railway system has been rapid. In 1873 there were 64 miles of line opened; in 1875, 150; in 1880, 906; in 1885, 1,599; in 1890, 1,890, and in 1895, 2,253. In 1897 the Orange Free State took over 361 miles of line within her own territory and the mileage of the Cape Colony system was reduced by that amount.

The third item of expenditure which appears on our list is that for defence. The expenditure for this purpose is borne in part by the colony, and in part by the



mother country. The Imperial troops in 1897 stationed in the colony numbered 545 officers and 8,240 non-commissioned officers and privates. The expense to the mother country of this establishment in recent years has been: In 1896, £211,264; in 1897, £275,474, and in 1898, £306,308. This does not exhaust the share of the mother country in providing for the defence of the colony, as Great Britain maintains a permanent naval squadron in South African waters. The squadron consisted in 1898 of 13 men of war, mounting 92 guns, and having a total tonnage of 37,035 tons. It is maintained at an approximate cost of £200,000 annually.

On the other hand, the colonial forces consist of the Cape Mounted Rifles, numbering 1,003 officers and men, and the volunteers, 6,953 officers and men, who are maintained by the colonial authorities. In addition to these organized forces, every male citizen of the colony, between the ages of 18 and 50, is liable to be called upon for military service in case of need. The colonial government has in addition coöperated with the Imperial government in the construction of the fortifications of Table Bay, Simon's Bay, and the Cape Peninsula. The colony furnished the necessary materials and labor, while the Imperial government provided the designs and the armament of these fortifications. In the year 1898, moreover, the colonial Parliament voted the sum of £30,000 for the maintenance of Imperial troops within the colony.

Among the remaining items of expenditure we may mention that for science and education (£231,687 in 1898.) "Schools are not maintained by the public authorities, the expenditure of the State taking the form of grants in aid for the encouragement of local bodies and private enterprises. The main purposes for

which grants are appropriated are, (1) in aid of the expenses of the Cape of Good Hope University and bursaries; (2) in aid of the salaries of professors and lecturers in college training for the University course, and of teachers in the several undenominational public schools, district boarding schools, mission schools, aborigines' day-schools, native industrial schools, as well as schools of art and elementary teachers; (3) capitation allowance towards private farm schools, circuit teachers' schools, boarding schools, and indigent children in these schools in the country districts, as well as to native boys and girls receiving training in industrial institutions; (4) in aid of school buildings, the equipping of schools, and good service allowance to teachers."—*Noble*.

The postal expenditures of 1898, £290,777, were more than offset by the receipts, leaving a net revenue of £36,960. On the other hand the maintenance of telegraphs at a cost of £163,926 resulted in a deficit of £13,955, in addition to costs of construction of £39,416 provided for in the ordinary budget of the Colony.

Space does not permit a mention of expenditure in all its details. (See appendix). With two exceptions the remaining branches of expenditure are the general expenses of government everywhere. One exception is the expenditure for native affairs which includes costs of administration, allowances to native chiefs, and education of the natives. It amounted in 1898 to £309,667. The other is a charge peculiar to this government, namely the payment of a share of customs receipts to the other governments in the Customs Union. The entire customs collected being credited to the receipts, the amount paid over to other governments, in 1898, £133,956, must be charged to the expenditures.

*Receipts and Expenditures.* In comparing the receipts and expenditures we can, down to the year 1891, utilize the summary of Noble, which is as follows :

"In the calendar year 1866, the total revenue from all sources amounted to only £536,347, and in the financial year 1891-92 it amounted to £4,495,344, or excluding railway revenue to £2,493,304. The latter amount indicates an increase of about 344 per cent., or on an average nearly 17 per cent. per annum on the revenue of 1866.

The actual rate of progress, however, has been far from constant, even the comparatively short period of twenty-six and a half years having included more than one cycle of general depression and shrinkage; but without entering into details, variations in the rate of progress are sufficiently shown by the following averages :

Period.	No. of Years.	Average Annual Revenue. [ooo omitted.]
1-1-66-31-12-70-----	5	586
1-1-71-30- 6-76-----	5½	1,275
1-7-76-30- 6-81-----	5	2,106
1-7-81-30- 6-86-----	5	3,241
1-7-86-30- 6-91-----	5	3,799

"The revenue may be classed under four heads: (a) Taxation (including customs, transfer duty, stamps and licenses, etc.); (b) Income from the Colonial Estate (including land revenue, hut tax, land sales, mines, etc.); (c) Payment for services rendered (including railway, telegraph, postal revenue, etc.); (d) Sundry heads, which cannot well be classed under any one of the preceding heads.

"Such an apportionment of the revenue cannot conveniently be given for any year previous to the financial year 1876-77, but the three quinquennial averages from

the 1st of July, 1876, already given, may be shown as follows :

Period of 5 Years.		(a) Average Annual Taxation	(b) Average Annual Income from Colonial Estate.	(c) Average Annual Payment for Ser- vices rendered	(d) Average Annual Other
		[ooo omitted.]			
1-7-76	30-6-81 .....	£ 1,239	£ 202	£ 629	£ 38
1-7-81	30-6-86 .....	1,611	259	1,281	89
1-7-86	30-6-91 .....	1,576	298	1,883	37
Annual average for whole period		£ 1,475	£ 253	£ 1,266	£ 55

The ordinary expenditure of the Colony may be similarly exhibited as follows :

Period.		No. of Years.	Average Ordinary Expenditure. [ooo omitted.]
1-1-66	31-12-70 .....	5	£ 040
1-1-71	30- 6-76 .....	5½	902
1-7-76	30- 6-81 .....	5	2,053
1-7-81	30- 6-86 .....	5	3,448
1-7-86	30- 6-91 .....	5	3,571

“Such expenditure is charged to one or other of about 85 annual votes, and is again classed according to the nature of the service under 21 principal heads.

“The last published report of the Controller and Auditor-General, that for 1890-91, shows that, during the fifteen years to the 30th of June, 1891, the total revenue has amounted to £45,728,762, while the ordinary expenditure for the same period has amounted to £45,508,967. The latter includes £9,615,038 spent on the working and maintenance of railways, and £12,999,031 paid as interest on and redemption of the public debt—excluding from the latter all loans converted or renewed.

“While the above shows an aggregate excess of revenue over expenditure during 15 years of only about £220,000, there was a period of exceptional prosperity from 1870 to 1875, during which a deficit of £1,054,914 (with

which the ordinary revenue and expenditure account opened on the 1st of January, 1870) was converted into an almost identical surplus of £1,054,748 on the 30th of June, 1876, so that on the whole period from the 1st of January, 1870, to the 30th of June, 1891, the excess of ordinary revenue over ordinary expenditure amounted to £2,338,882. It will be shown that the excess of these savings over the deficit balance on the 1st of January, 1870 (amounting to £1,283,968), may be said to have been invested in railways."

To the foregoing statement it will suffice to add merely the figures for subsequent years. The receipts were :

Fiscal Year Ending June 30th.	Taxation. [ooo omitted.]	Colonial Estate.	Services.	Other Receipts.
1892 -----	1,749	347	2,343	57
1893 -----	1,836	351	2,732	53
1894 -----	1,951	354	2,895	121
1895 -----	1,903	337	3,070	80
1896 -----	2,418	375	3,927	83
1897 -----	2,936	306	4,024	124
1898 -----	2,318	337	3,695	186

In the expenditures the relative position of the different items has changed little. Figures for the details of expenditure are given in the appendix. We may, however, compare here the ordinary receipts and expenditures since 1891. They were as follows :

Fiscal Year Ending June 30th.	Receipts. [ooo omitted.]	Expenditures.
1892 -----	4,495	4,316
1893 -----	4,971	4,668
1894 -----	5,321	5,297
1895 -----	5,390	5,152
1896 -----	6,804	5,651
1897 -----	7,390	6,852
1898 -----	6,536	7,082

Noble's summary, already quoted, begins with 1866. It requires a survey over a somewhat longer period of



time to fully appreciate the rapid growth of the colony of recent years. A few earlier figures of receipts and expenditures may be added.

	Revenue.	Expenditures.
1830-----	134	121
1840-----	171	182
1850-----	246	246
1860-----	743	730
1870-----	874	796

*Expenditure Chargeable to Loan Acts.* "While expenditure on many public works of very considerable importance has been charged as ordinary expenditure, and is thus included in the amounts already mentioned as paid out of ordinary revenue, the greater part of the expenditure on the construction of railways, on a number of more important public works, and on the suppression of native disturbances, etc., has been charged in separate accounts to the proceeds of loans raised.

"Previous to 1876 the accounts of the colony did not exhibit any such marked distinction as regards expenditure, but the accounts from 1870 to 1875, inclusive, have been recast by the present Controller and Auditor-General from that point of view, and the results may be summarized in quinquennial periods as follows :

Period.	Total Expenditure Railway Construction.	Total Expenditure Other Public Works, etc.	Total Expenditure Native Rebellion.
	[ooo omitted.]		
1-1-70-30-6-76----	£ 2,070	£ 257	-----
1-7-76-30-6-81----	6,710	820	£3,098
1-7-81-30-6-86----	5,361	702	1,697
1-7-86-30-6-91----	2,921	164	-----
Total to 30-6-91--	£17,063	£1,943	£4,795

"Besides the above, £310,663 has been expended in payment of those liabilities of Griqualand West which existed at the time of its annexation to the colony,

and £228,769, forming a portion of moneys advanced since 1882, out of borrowed moneys, as loans for irrigation and public works carried out by local bodies or private persons, is still outstanding."—*Noble*.

*Public Debt.* "The oldest existing public loan of the Colony dates from August, 1863. The issue of debentures represented £255,400, and the existing balance of this loan (reduced by conversion to £122,300) is repayable on the 31st of December, 1900.

"Nearly all the loans raised from 1852 to 1866 bore interest at 6 per cent., but the particular loan above referred to bears only 5 per cent. interest, and, as might, therefore, be expected, it was raised at a large discount.

"The existing 6 per cent. public loans, including those raised for Harbor Boards, fall considerably short of £200,000. About £750,000 has been raised on 5 per cent. perpetual annuities called Colonial Stock. This stock is now very valuable, and though less than ten years ago some of it was issued at par, it is now saleable at £129 per cent., and in view of the present price of  $3\frac{1}{2}$  per cent. stock, is really worth much more than that. There also exists at the present moment nearly £800,000 of 5 per cent. debentures, issued in 1883, but these it is expected will be repaid before the end of the present year, 1893.

"Between 1872 and 1880 large loans were raised at  $4\frac{1}{2}$  per cent., subject to the operation of a cumulative 1 per cent. sinking fund. These have been partly repaid on annual drawings, and have been largely converted into 4 per cent. and  $3\frac{1}{2}$  per cent. Consolidated Stock, so that the existing debt bearing interest at  $4\frac{1}{2}$  per cent. scarcely exceeds £2,000,000.

"Large loans bearing interest at 4 per cent. have been raised since 1883, and while they have been partly

applied to cover railway construction and the suppression of native rebellion, they have chiefly been devoted to the redemption of other loans. Thus nearly four millions of 4 per cent. stock were issued in exchange for 5 per cent. debentures of the so-called 1883 or 10-40 loan, while between nine and ten millions of 4 per cent. stock have been issued under the authority of Act 16 of 1886, in exchange for debentures which bore interest at from 4 to 6 per cent.

"Since March, 1890, all loans, whether raised in the Colony or in England, have been raised at  $3\frac{1}{2}$  per cent. All these  $3\frac{1}{2}$  per cent. loans, amounting at this date (February, 1893) to nearly  $5\frac{1}{2}$  millions, have hitherto been raised at a discount varying from 13s. 3d. to £4 9s. 9d. per cent.; but according to the latest London quotations this stock is already at a premium of about 2 per cent. exclusive of accruing interest. To meet the convenience of the public it has been arranged that the domicile of these loans may on application be transferred from the Colony to London, or *vice versa*."—*Noble*.

The purposes for which the public debt has been raised are indicated in the following table which gives the amount outstanding December 31st, 1898.

Reproductive Works :

Railways	18,525,102
Bridges	372,263
Telegraphs	179,765
Irrigation	34,168
Harbors	3,393,566

Loans :

Local works	231,219
Irrigation	85,337
Netherlands railway	389,509

## Unproductive :

Hospitals.....	25,837
Roads and bridges.....	56,388
Buildings .....	314,473
Revenue shortfall.....	489,552
Immigration .....	235,463
Griqualand West liabilities .....	289,321
War expenses .....	3,714,694
Railway subsidies.....	110,439
Railway expropriation .....	10,836

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 5,247,003
 

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28,377,922

## NATAL.

The colony of Natal owes its separate existence to its distance from Cape Town, and to the presence of unsettled regions inhabited chiefly by natives in what are now known as the Transkeian provinces of the Cape Colony. These for a long time made land communication between Cape Colony points and Natal difficult and even at the present time there is no railroad connection between Cape Town and Pietermaritzburg except in a round about way through the Transvaal.

When in 1836 the great "trek" of the discontented Boer farmers took place, their first resting place was Natal. Here, after 1839, they established an independent government. But the colonial authorities not recognizing the right of British subjects to set up an independent sovereignty, sent troops to occupy the district, and after defeating the Boers in 1842, Natal became a part of the Cape Colony. It was governed by a Lieutenant Governor resident in the Colony. In 1856 it was created a crown colony, and in 1893 was granted responsible government. The present government is described in the "Statesman's Year Book" (1899, p. 203-204) as follows :

"By the Constitution Act (Law No. 14, 1893), which came into force July 20, 1893, the legislative authority

resides in the Queen, a Legislative Council, and a Legislative Assembly. Her Majesty is represented by the Governor, whose assent (revocable within two years, in manner prescribed) is required to all bills before they become law. The Governor appoints the ministers, and with their advice, the members of the Legislative Council.<sup>1</sup> He issues writs for general election of members of the Legislative Assembly, fixes the place and time of the sessions of the legislative bodies, and may prorogue or dissolve the Assembly. He may also, by message, transmit the draft of any bill to be introduced in either house. The Legislative Council consists of eleven members, each of whom must be at least thirty years of age, must have resided ten years in the colony, and must be registered proprietor of real property of the net value of £500. Members hold their seats for ten years, provision being made for the withdrawal of five at the end of the first five years. The President is appointed by the Governor. The Legislative Assembly consists of thirty-seven members chosen by the electors. Each Legislative Assembly continues for four years, unless sooner dissolved. It meets annually or oftener, appoints its Speaker, and adopts (with the approval of the Governor) its own standing rules and orders. Money bills must originate in the Assembly, and the Legislative Council may accept or reject but not alter them. No money bill, however, for any purpose not first recommended to the Assembly by message of the Governor can be passed in the session in which it is proposed. No person can be a member of the Assembly who is not a duly qualified and registered elector. Members receive an allowance of £1 a day during the session.

<sup>1</sup>The first Legislative Council was nominated solely by the Governor.



"Electors are qualified by the possession of immovable property of the value of £50, by payment of rent for such property of the annual value of £10, or (having resided three years in the colony) by having an income of £96, per annum, inclusive of allowances. Electors (1896), 9,208.

"The executive authority resides in a body of not more than six ministers, each of whom must be, or must within four months become, a member of one of the legislative bodies. Each may sit or speak in either house, but may vote only in that of which he is a member."

In its governmental organization the colony seems to be a reduced copy of the Cape Colony. Like that colony it has its dependence, Zululand, which is governed by a resident magistrate much in the same manner as the Transkeian territories. It owns its own railroads (487 miles in length) and telegraph system, and has a public debt due largely to the construction of these public works. For the defence of the colony mounted police numbering 490 men and volunteers, 1,391 in number, are maintained. Education figures in the budget of 1897 with an expenditure of £45,455. Beyond these meagre facts the only information regarding the financial affairs of the colony which we have been able to attain is contained in the following statistical summary :

#### LEADING RECEIPTS.

[000 omitted.]

Fiscal Years Ending June 30th.	1892.	1893.	1894.	1896.	1897.
Railways .....	665	479	447	746	1,285
Customs .....	301	216	191	265	413
Excise .....	20	20	20	20	20
Land sales .....	46	44	36	38	44
Mails .....	48	39	37	46	57
Telegraphs .....	15	14	13	22	23
Stamps and license .....	24	22	23	28	31
Native hut tax .....	80	79	82	77	94

## PRINCIPAL EXPENDITURES.

Fiscal Year.	[ooo omitted.]		
	Railways.	Public Works.	Defence.
1892-----	489	84	70
1893-----	343	66	66
1894-----	295	63	66
1895-----	---	--	--
1896-----	391	67	107
1897-----	560	90	156

## AGGREGATES.

Fiscal Year.	Receipts.	Expenditures.	Public Debt.
1892-----	1,392	1,281	7,170
1893-----	1,070	1,100	7,170
1894-----	1,011	1,082	8,060
1895-----	1,170	1,148	-
1896-----	1,457	1,282	8,054
1897-----	2,213	1,625	8,019

## RHODESIA.

The territories governed by the British South African Company which come within the sphere of this paper are known as Southern and Northern Rhodesia. In the former a well developed and highly complex governmental organization now exists, while in the latter, where as yet there are few Europeans, the administrative activity of the company is more akin to that of the protectorates.<sup>1</sup>

The present governmental organization of Southern Rhodesia is regulated by the Southern Rhodesia Order in Council of 1898, which insures to the British government a more effective supervision of the administration than it had heretofore enjoyed. Prior to that time the company's administrator was practically supreme. He was subject in a general way to the British High Commissioner for South Africa, but the High Commissioner was in Cape Town and the administrator fifteen hundred

<sup>1</sup> British Central Africa, the expenses of whose government are borne by the South Africa Company, does not fall within the scope of this paper.

miles away. It was the unfortunate Jameson raid of 1896 which was the immediate cause of the English Government assuming larger responsibilities in the government of the colony.

According to the Order in Council of 1898 the Company, with the approval of a Secretary of State, names the administrators, one of whom is senior in rank, who are to govern the country in the name of Great Britain and in the interests of the Company. The Secretary of State appoints a Resident Commissioner in Rhodesia to watch the interests of the Crown. The administrator is assisted by an executive and a legislative council. In each of these the Resident Commissioner is an *ex officio* member entitled to speak but not vote. The executive council is practically the cabinet of the administrator, though he may act contrary to its advice. Should he do so, he must report his action with his reasons to the Company. In all matters the Company may reverse the action of the administrator.

A legislative council consisting of the administrators, the Resident Commissioner, five members appointed by the Company and four elected by registered votes, is also provided in the Order in Council of 1898. The administrator, by and with the consent of this body, may make ordinances for the peace, order and good government of Rhodesia subject to the approval of the High Commissioner. It is also consulted in matters of expenditure and revenue. The resident commissioner is the medium of communication with the High Commissioner and the latter's source of information respecting all matters submitted to his decision.

The Military Police force is under the control of the High Commissioner and the Commandant General is responsible to him only. He shall undertake no military

operations without the consent of the High Commissioner, or in cases of extreme urgency of the Resident Commissioner.

The Judicial organization is also governed by this Order. Judges shall be appointed by a Secretary of State on nomination of the Company and shall be paid by the Company. In like manner the approval of the British government is reserved for all appointments as Commissioners of Native Affairs.

The executive officers of the country, in addition to those already named, are Chief Secretary, Chief Accountant, Surveyor General, Attorney General, Commissioner of Public Works and Miners, Secretary for Native Affairs, and Post Master General. With respect to their various functions, we can refer to the scheme of government of Cape Colony which has furnished the model for the executive organization of this region.

The British South Africa Company, considered as a mercantile venture, was established for the purpose of developing the mineral resources of the regions lying north of the Bechuanaland protectorate and the South African Republic, of which the chief centres were Matabeleland and Mashonaland. Either directly by treaty with native chiefs, or by purchase, generally with obligations of the Company, from those who had preceded them, the Company acquired the exclusive right to all the minerals in the regions under their control. The Royal Charter of October 29th, 1889, which created the Company, granted it wide powers of administration for the purpose of building up and developing the country. How successful it has been in this effort may be seen from the financial statements which follow and from the fact that the Report of 1897-98 estimates the European population at 13,346. (Ad. Rep. 284.) The

activities of the Company since its inception have been so various that a distinct line between its commercial and administrative labors cannot easily be drawn. It may facilitate our study to consider the work of the Company as a whole.

*Mining.* The development of mining operations was the primary reason for the establishment of the Company. Its territories are rich in gold and though no single deposits comparable in richness to those of the Rand district of the Transvaal have as yet been discovered, the outlook for future operations is very bright. The gold output from November, 1891 to July 31st, 1898 was 6,470 oz. but in the ten months which followed from August 1, 1898 to June 1, 1899 a product of 48,214 oz. equal approximately to one million dollars was obtained. (Ad. Rep. 203.) Coal is also found in several districts, and while at several points experimental mining operations have been undertaken, no regular production of this mineral has been established. Mining operations are not undertaken directly by the South African Company. It grants concessions to various companies and takes a share of the stock of these companies as the price of these concessions. On March 31st, 1897, the nominal value of the shares thus held was £895,327. They had not up to this time been a source of revenue to the Company, except through the sale from time to time of a very small number of sales.

*Railroads.* The rapid development of the region has largely been due to the growth of the railway system which now connects the principal centres of population with the sea coast. Buluwayo, the centre of Matabeleland, connects by means of the Bechuanaland Railroad with the Cape Colony system, while Salisbury, the centre of Mashonaland, is connected with the east coast



at Beira in Portuguese territory by means of the Mashonaland and Beira Railways. A connection between Buluwayo and Umtali where the Beira Railway enters British territory is under way. The railroads, which have been established and supported by the British South Africa Company, had on the completion of the line to Salisbury (May 1, 1899) a total mileage of 1086 miles. (Dir. Rep. 96-97, p. 21.)

These railroads have been built by subsidiary companies with the participation and encouragement of the South Africa Company. The Bechuanaland railway was constructed by a company bearing this name and is now operated by the Cape Government Railways Department as a part of their system. The railway company has been guaranteed an annual subsidy of £20,000 by the Imperial Government for a space of ten years and of £10,000 for a like period by the South Africa Company. The latter has, moreover, guaranteed the interest on the 5 per cent. first mortgage debentures and debenture stock for twenty years from November 1st, 1895. As the annual amount required for interest is £70,000, and the net receipts for four months ending February 28, 1898 averaged £12,922 monthly, it would seem that the enterprise was on a paying basis. Of the £2,000,000 debentures issued, the South Africa Company owns £311,000. In the share capital of the railway company the South Africa Company holds a controlling interest. The funds for the construction of the road have been provided by the issue of interest bearing obligations.

A like plan has been pursued in connection with the Beira and Mashonaland roads, the first leading from the Portuguese port to Umtali in the Company's territory, and the latter from Umtali to Salisbury. In each the

South Africa Company owns the controlling interest in the share capital which in each case is very small, while the funds for construction have been obtained by the issue of interest bearing obligations.

*Telegraphs.* The telegraph system which has played an important part in the development of the country has been provided directly by the company. In their report for 1896 and 1897, the Directors say, "On the 30th of September, 1897, 1856 miles of line and 2,583 miles of wire had been erected. The total amount expended by the Company on telegraph construction up to March 31st, 1897, was £139,677 2s. 11d. and the net profit for the financial year ending on that date after deduction of cost of maintenance was £13,391 12s."

The Company is also interested in the African-Trans-Continental Telegraph Company, Limited, formed in 1893 with the support and authority of the Company to extend the telegraph system from Salisbury to Zomba in Nyassaland. The undertaking is designed as a feeder to the Company's lines and also as a connection between the company's operations north and south of the Zambesi.

*War Expenses.* The progress of settlement and development has not been entirely peaceful. In 1893 the Matabeles made one of their periodical raids upon the less warlike tribe of the Mashonas. It had been hoped that the presence of white settlers would have put an end to these warlike incursions. The Company's forces consisting of the police and volunteers, invaded the Matabele territory and after some severe engagements put the natives to flight. But the suppression of uprising was not accomplished before considerable damage had been done to the property of the settlers. The ag-

gregate cost of these military operations, including the payment of indemnities, amounted to £119,639.

*Government in South Africa.* To state in plain terms the receipts and expenditures of the Company considered as a government, is no simple matter. Some share doubtless of the general expenses of the London office belongs under this head, but as there is no rule for determining the proportion it must be omitted from the reckoning. So far as possible, the following account is devoted to receipts and expenditures in South Africa.

*Receipts.* The general character of the government revenues in Rhodesia can best be seen by the following statement for the year ending March 31, 1897.

RHODESIA REVENUE FOR THE YEAR ENDING 31ST MARCH, 1897.

Land fund .....	4,738	
Stand sales, <sup>1</sup> Umtali, 1897 .....	1,449	
Postal and revenue stamps and licenses .....	42,298	
Telegraph revenue .....	29,471	
Postal revenue .....	8,928	
Quit rent .....	3,881	
Transfer and other duty .....	18,696	
Mines revenue .....	1,226	
Hut tax .....	4,737	
Matabeleland stock farm .....	4,089	
Judicial fines .....	3,128	
Occupation fees, registration of natives and sundries	1,790	124,429
Less survey government lands .....		1,887
		<hr/>
		122,542

It will be seen that in this statement taxation plays a small part, most of the revenue being derived from public property or public services. The growth of the revenue has been rapid and somewhat erratic. The revenue reported in the financial statements of the Company has been as follows :

<sup>1</sup> Stand sales are proceeds of sales of town lots.

## Fiscal Year Ending March 31.

1891 .....	3,961
1892 .....	15,812
1893 .....	34,153
1894 .....	44,489
1895 .....	118,883
1896 .....	339,091
1897 .....	122,542
1898 .....	263,000 <sup>1</sup>

The extraordinary increase of revenue in 1896 was due to the "Land Fund," which amounted to £211,676. The following year was one of depression and the receipts from this source fell off to less than £5,000. In the following year there was some revival of business and land sales increased again to £74,000. Apart from this item the budget of receipts shows considerable regularity.

*Expenditures.* In recent years the expenditures in South Africa are stated separately, and their general character can be seen from the following statement for the year ending March 31, 1897:

## RHODESIA EXPENDITURES.

*Administration expenses in respect of the following departments:*

Administrator, resident magistrate, law secretary, accountant, mine survey, civil and native commissioners, and North Rhodesia .....	98,303
Postal service .....	12,502
Telegraph department .....	16,079
Hospitals .....	8,650
Traveling expenses .....	161
Telegraph construction .....	19,498
Interest and discount .....	600
Donations .....	1,541
Expenses on goods .....	1,952
Maintenance—buildings and public works .....	4,028
Rinderpest charges .....	30,675
Agriculture .....	660
Removal Umtali towuship .....	47,962
Sundry expenses, including cables, telegrams and postage .....	9,218

251,829

<sup>1</sup> Administrative Report, 107 (97-98).

Before 1893 the governmental expenditures in South Africa are not grouped, but figure in the general expenditures of the company. Since 1893 the growth of expenditure is shown as follows :

Fiscal Year Ending March 31st.	Administrative Expenses.	Total Expenses.
	[ooo omitted.]	
1893-----	26	85
1894-----	20	66
1895-----	41	142
1896-----	84	212
1897-----	98	252

The administrative expenses have been stated distinctly for comparison with the figures for 1891 and 1892, which were respectively £11,785 and £35,190.

We may close this brief statement with an extract from the Directors' Report of 1897, which discloses the attitude of the Company towards this part of its enterprise : " Separate accounts are being kept of the amounts received and expended by the company in the discharge of its duties as a government. These accounts comprise administrative revenue and expenditure and the cost incurred in the settlement of the country. The balance of expenditure under these headings, not met by revenue, will constitute a public debt whenever the inhabitants of Rhodesia are prepared to take over the full responsibility for its administration. The company will thus be reimbursed a considerable portion of its outlay, and be left in the possession of its mining and commercial interests."

#### BECHUANALAND.

It has already been noted that the Crown Province of British Bechuanaland has been ceded to the Cape Colony. The protectorate still remains as an independent organization. The financial affairs of the protectorate cannot be extricated from those of the Crown Colony in the earlier period. Some idea of the development of



the colony may be obtained from the following brief retrospect taken from the report of the administrator in the year 1894-95 :

“ When ten years ago Her Majesty’s government was first established in British Bechuanaland, the country had only just been rescued from the horrors of war in the peculiarly cruel and unprincipled form commonly called filibustering. The plundered natives had barely recovered from a state of terror. The land was, to all intents and purposes, in a condition of barbarism. It is now as peaceable and, in the main, as well governed as any part of Her Majesty’s dominions. Life and property are safer now throughout this immense territory than in many parts of London. The land has to a great extent been surveyed and settled. The natives are well provided for and are prosperous and happy. Evidences of progress in every respect might readily be adduced ; but it is needless to enlarge on the theme. The facts need no comment. In the first year of administration here the revenue was, roughly speaking, £7,000 ; it is now £70,000. The wealth still in the country is incalculable. Its future is bright indeed. At a moderate computation, Her Majesty’s government has spent two millions sterling on it, and now hands it over as a free gift to the Cape Colony, with at the very least a quarter of a million’s worth of vacant crown land, all the public buildings, and all its untold wealth in minerals. Apart from the potentialities of mineral development, the Cape Colony will at once derive from British Bechuanaland a surplus revenue exceeding £20,000 a year. To grudge so magnificent a donation might seem ungenerous, but it is no exaggeration to say that such a gift to a self-governing colony is an instance of Imperial munificence to which it would hardly be possible to find a parallel.”

From the period of 1891 to June 30, 1895, we find the following record of revenue in the colony and the protectorate :

Date Ending June 30.	Customs Revenue.	Hut Tax.	Total Revenue.
1891-----	£2,448	3,410	42,501
1892-----	12,579	1,975	50,936
1893-----	13,326	3,450	45,344
1894-----	16,392	3,941	55,370
1895-----	21,834	5,283	67,156

In the foregoing table we have given but two of the various items which constitute the receipts of the government. The remaining items, not specifically stated, are as a rule unimportant in amount, few of them equaling during the period under consideration the amounts received from the hut tax. In individual years, however, certain items of receipts exceed the hut tax. This is true in particular of the receipts for rents, presumably the rents of public lands. Sale of public lands is again an item of considerable importance in certain years. In the year 1890-91 this source of revenue returned £11,270, but two years later £187 was the total sum received from this source. Postal revenue is a considerable sum in the budget, but is offset by a larger expenditure for the maintenance of the postal and telegraph service. We may mention licenses, revenue, stamps, transfer duty, and auction duty as other sources of revenue, whose contribution to the total is, however, small.

The expenditure of the Colony and Protectorate during the same period is indicated in the following statement :

Ending June 30	Police.	Postal and Telegraph.	Total.
1891-----	£106,229	9,661	158,392
1892-----	95,391	15,621	154,929
1893-----	94,234	14,846	154,087
1894-----	178,773	12,593	237,928
1895-----	89,254	12,520	148,376

In the foregoing we have again given the principal items of expenditure. With respect to the divergence between receipts and expenditure, the report makes the following statement.

“From the figures furnished in the accompanying tables it will be seen that the bulk of the deficit in respect to which the grant in aid is annually made by the Imperial Government is on account of the excess of expenditure over revenue in the Protectorate. The total revenue of that country was about £7,600, while the expenditure may be apportioned at about £85,000. On the other hand, the deficit between revenue and expenditure in the Crown Colony, was, as nearly as may be at the present estimated, something under £3,000. Still it must be borne in mind that all the charges of a central administration which is also responsible for the collection of revenue and the administration of justice in the Protectorate are included in the Crown Colony account.”

These explanations serve to justify the somewhat glowing account of the progress of the Colony which we have already quoted. Subsequent figures derived from the “Statesman’s Year Book” confirm these statements. On the other hand, they show conspicuous progress in the Protectorate since it has been severed from the Crown Colony. In the fiscal year ending June 30, 1897, the revenue of the Protectorate was £47,511 of which £8,693 were derived from customs. In the same year the expenditure reached £88,448.

#### BASUTOLAND.

Basutoland was annexed to Cape Colony in August, 1871. The Cape Government, however, found difficulty in governing this country, not only on account of the

war-like character of the inhabitants, but because of the frequent border difficulties which arose between the natives and the Boers. In the year 1884, therefore, they appealed to the Imperial Government to take this region under its direct control, and in a disannexation act of 1884, handed it over to the Imperial Government, and assumed the obligation of contributing £20,000 annually to the expenses of government in that district. The amount of that contribution has since been reduced to £18,000. The region contains very few whites, and settlement by Europeans is prohibited. The expenses of government are, therefore, largely devoted to the maintenance of the official staff, which supervises the government of the native chiefs. During the year 1894-95, the principal source of revenue was the hut tax of 10s, its amount being £21,905. With the contribution of the Cape Colony of £18,000, these two items constitute the larger part of the total budget of receipts, namely, £44,627. Some slight income was derived from the post office, licenses, fines, and ferry tolls.

A detailed statement of the expenditure is not made in the annual report of the Colony. In the year ending June 30, 1895, it amounted to £43,064. Any view of the kind of expenditure must be gathered from the administrative report. From this it would appear that, as in the Protectorate of Bechuanaland, the main expenditure is for the maintenance of public order, the police system, and the jails.

ROLAND P. FALKNER.

## SOURCES OF INFORMATION FOR FINANCIAL AFFAIRS.

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*Natal*.—Statesman's Year Book.

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Reports on the Administration of the Companies' Territories.  
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*Protectorates*.—Annual Reports, in Colonial Reports British Blue Books.



## CAPE COLONY.

ACTUAL REVENUE, EXCLUDING STORES, UNDER THE DIFFERENT HEADS OF RECEIPT, IN EACH OF THE LAST TEN FINANCIAL YEARS, IN THOUSANDS OF POUNDS.

Heads of Revenue.	1888-89.	1889-90.	1890-91.	1891-92.	1892-93.	1893-94.	1894-95.	1895-96.	1896-97.	1897-98.
Customs (including harbor dues) -----	£1,146	£1,369	£1,259	£1,343	£1,426	£1,540	£1,465	£1,923	£2,438	£1,803
Land sales -----	36	57	89	80	69	65	54	65	Dep. ac.	
Land revenue (including hut tax to '89) -----	195	133	135	136	134	129	140	132	130	143
Hut tax -----		49	50	52	58	60	62	79	79	81
Rent (exclusive of land) -----	12	2	1	3	2	2	2	2	7	8
Transfer dues -----	70	110	104	120	120	109	112	150	129	122
Auction dues -----	15	17	17	18	21	19	19	17	See Misc.	
Succession dues -----	10	13	13	12	17	18	16	18	17	20
Taxes, house duty -----	97	4								
Stamps -----	135	134	131	135	135	137	151	167	186	201
Stamped licenses -----	117	116	120	120	123	124	126	132	138	148
Bank notes duty -----	8	14	11	6	5	6	6	6	7	8
Postage -----	148	162	164	174	184	201	214	238	(c) 294	328
Excise duty -----		1	2						10	8
Fines, forfeitures and fees of court. -----	11	14	18	19	18	21	20	18	23	24
Fees of office. -----	6	5	1	1	1	3	2	3	3	3
Sales of government property -----	32	24	37	a. 41	a. 54	a. 62	a. 45	a. 53	51	68
Reimbursements -----	81	70	72	76	72	86	93	105	92	103
Mines -----	37	44	27	25	23	24	21	30	31	27
Miscellaneous and special receipts -----	a. 27	b. 35	b. 32	b. 31	b. 29	b. 37	b. 34	b. 41	b. 45	b. 38
Interest and premiums -----	28	20	18	31	24	81	47	48	85	148
Railway receipts -----	1,539	1,951	1,773	2,002	2,382	2,582	2,673	3,463	3,497	3,102
Telegraph receipts -----	85	86	70	67	72	68	84	115	130	151
Total -----	3,836	4,430	4,144	4,495	4,971	5,321	5,390	6,804	7,390	6,536

a. Including guano sales, b. Including wood license and guano permits, etc., previously included under "Land Revenue."  
 c. Including certain items (£5,486 in '96-97), previously included under Reimbursements and Miscellaneous, etc.  
 Transfer duty reduced from 4 to 2 per cent. by Act 10 of 1896. Auction duty abolished by Act 11 of 1896. Receipts '96-97, £5,239, included under Miscellaneous.

## CAPE COLONY.

VOTES OF EXPENDITURE UNDER CLASSIFIED HEADS CHARGEABLE AGAINST ORDINARY REVENUE, IN EACH  
OF THE LAST TEN FINANCIAL YEARS, IN THOUSANDS OF POUNDS.

Head of Expenditure.	1888-89.	1889-90.	1890-91.	1891-92.	1892-93.	1893-94.	1894-95.	1895-96.	1896-97.	1897-98.
Legislative	23	26	25	27	24	28	26	30	40	27
Civil establishment (including collection of revenue)	118	127	127	132	132	136	140	150	166	176
Medical (including hospitals and paupers)	78	96	110	109	129	137	145	172	168	177
Science and education (other than of natives)	99	123	141	126	141	167	173	188	213	232
Public worship	8	8	7	7	7	7	7	6	6	6
Judicial (including administration of justice)	100	106	112	114	121	126	135	144	158	171
Police and goals	195	218	234	239	267	291	318	350	432	535
Convicts	49	54	58	48	42	41	48	49	54	72
Crown lands, agriculture, forests, irrigation and harbors	130	163	153	153	174	219	182	270	625	323
Railways (working and maintenance)	840	1,018	1,118	1,220	1,474	1,565	1,552	1,780	1,941	2,059
Telegraphs, construction	1	12		13	76	23	9	16	65	39
Telegraphs, maintenance	92	93	99	91	98	99	104	110	137	264
Post office and mails	161	171	184	191	194	216	243	249	273	291
Buildings, roads and bridges	83	161	192	121	122	150	206	179	340	372
Native affairs (including education of natives)	125	140	144	135	140	144	191	209	250	310
Defence	143	143	152	151	149	161	157	190	376	485
Immigration		1	1	1	1	1		1		1
Pensions	46	48	48	51	52	55	55	74	85	89
Refund of revenue	38	34	33	31	35	39	36	44	52	50
Miscellaneous	37	38	56	61	54	55	70	72	84	121
Public debt	1,049	1,063	1,222	1,166	1,213	1,555	1,246	1,245	1,255	1,248
Share of customs duties paid to other governments		35	89	97	93	94	108	123	132	134
Total	3,415	3,879	4,305	4,316	4,668	5,297	5,152	5,651	6,852	7,082

## ENGLISH COLONIAL FISCAL SYSTEMS IN THE FAR EAST.

In the study of the government of the British dependencies, one finds a most interesting group in the Far East. In the Malay Archipelago, we find British influence dominant in the north and west of Borneo, where the British North Borneo Co. has acquired the government of a large tract in British North Borneo and Labuan, and in the little kingdom of Sarawak, where the successors of Rajah Brooke, though technically independent in internal affairs, keep that little kingdom as an English protectorate under the influence of English ideas. The still less advanced British New Guinea, acquired at the instance of the Australasian colonies, with Fiji, lying still farther east, illustrate each a different method of dealing with dependencies.

Of far more importance is Hong Kong with its adjoining piece of territory, the promontory of Kowloon, lying opposite the most important foreign trading post in China. For political rather than financial reasons, the new acquisition of Wei-hai-wei on the Gulf of Pechili, opposite Port Arthur which Russia has lately acquired, is also noteworthy.

At a much earlier period, the Straits Settlements, which practically hold a commanding position on the highway from Europe to the Far East, were seen to be of great importance, and today, with the Federated Malay States under their direction, furnish us perhaps the best example of British success in dealing with the problem of partly civilized Malay peoples; while Ceylon, also an early colony, in different surroundings, with a different type of natives, furnishes an example of an

entirely different kind which the English government has administered from the fiscal standpoint, in a materially different way.

#### THE STRAITS SETTLEMENTS.

These settlements derive their name from the Straits of Malacca, separating the Malay peninsula from the island of Sumatra. They consist especially of the island of Penang, with the adjoining strip of territory known as the Province Wellesley, lying opposite; the islands and mainland of the Dindings, connected with Penang in its local government; Malacca, some two hundred and forty miles south-east of Penang on the Straits; and Singapore, a small island at the southern extremity of the Peninsula on the main entrance to the China Sea. The total area of these Settlements, with some small islands attached thereto for administrative purposes, is only some 1542 square miles; but their commanding position and their large and rapidly growing trade, together with the control that they at present exert over the adjoining protected Malay states, render them of great significance. The population in 1891 was as follows:

	Singapore		Penang		Malacca		Totals	
	Males	F'males	Males	F'males	Males	F'males	Males	F'males
Europeans and Americans . . .	4,312	942	893	308	85	49	5,299	1,299
Eurasians . . .	1,764	1,825	824	888	821	935	3,409	3,648
Asiatics . . . . .	135,254	40,457	151,167	81,538	49,431	40,849	335,652	162,844
Totals (1891) . . .	141,330	43,224	152,884	82,734	50,337	41,833	344,551	167,791

In 1891 there were in the Settlements 213,073 Malays, 227,989 Chinese, and 53,927 natives of India.

*History.*—The first settlement by Europeans was at Malacca in 1511 by the Portugese. These were succeeded by the Dutch in 1641, who held the post until

1795, when the English took possession. After a recession to the Dutch in 1818, Malacca, by a treaty with Holland in 1824, came finally into the possession of the English East India Co., the English agreeing at the time not to interfere with the Dutch possessions remaining. Malacca had been known as one of the great stations for eastern trade even before the Portuguese took possession; but since Penang and Singapore have been developed by the English, it has fallen into an inferior position.

The first British possession on the Straits of Malacca was Penang, which was ceded to the English government by the Raja of Kedah in 1785 for an annual sum of \$6,000 to be paid as long as the British occupy the island. In 1798, in order that the adjoining territory might be cleared of pirates, the strip of territory called Province Wellesley, some forty-five miles in length and ten or twelve miles in width, was acquired. The Dindings' territory, including the island of Pangkor and the Sembilan islands, was ceded to England in 1826 with the same purpose in view; and in 1874, a strip of territory on the main land, lying opposite, was added to this.

Singapore was taken possession of for England by Sir Stamford Raffles in 1819, and in 1826, it united with Penang and Malacca under one government. Penang remained the capital until 1836, when Singapore became the seat of government.

*Government.*—At present the government consists of a governor who acts with an executive and a legislative council. The executive council consists of the general officer commanding the troops, the colonial secretary, the resident councillor of Penang, the resident councillor of Malacca, the attorney general, the colonial treasurer,



the auditor general, the colonial engineer and the governor. The legislative council consists of the above members of the executive council, together with seven unofficial members, two of whom are nominated by the chambers of commerce of Singapore and Penang. While the government thus makes its own ordinances and is allowed very great latitude in settling its own affairs, it is noticeable that through the appointive executive officers, who are in the majority, the control is absolutely in the hands of the home government whenever it may wish to exert its power. Furthermore, the affairs of the Straits Settlements may be regulated by an Order in Council of the home government at any time, should that be considered necessary. The Governor of the Straits Settlements is also High Commissioner for the Federated Malay States, and High Commissioner for the Territories of the British North Borneo Company, Brunei and Sarawak.

*Finances.*—The colony is composed of small settlements which, while in some instances quite productive, are still not large enough to be of special significance themselves. Its prosperity is due rather to the fact of its being an exceedingly important port for transshipment of goods, its profits being mainly made from importing and exporting goods produced elsewhere. More than fifty lines of steamers stop at Singapore. Regular communication is had with Europe, China and Japan, some of the lines sending steamers weekly. The local trade is also large and increasing.

Owing to these facts, it has been considered wise for the government to levy no import or export duties, but to secure its revenues in other ways. Even tonnage dues are not levied for general purposes, "the only tax to which shipping is liable consisting of a very moderate

one of one anna per ton register in support of the abundant lighthouses on the coast."

*Revenues.*—The chief sources of revenue are :

<sup>1</sup> A stamp tax which provides for stamps on legal papers, bills of exchange, checks, promissory notes, etc.

<sup>2</sup> A land revenue which provides that the annual rate of assessment shall not exceed  $\frac{1}{10}$  of the value of the produce.

<sup>3</sup> Licenses : on opium, the most important and profitable of all ; on liquors for distillers, \$50 ;<sup>4</sup> public houses of the first class, \$240 per annum ; second class, \$120 ; third class, \$96 ; retail liquor shops, \$72 per annum ; and a farm shop not to exceed \$24.

<sup>5</sup> Petroleum,—a license for twelve months for quantity not exceeding fifty cases, \$6 ; exceeding fifty, but not exceeding 5,000, \$24 ; for every additional 5,000 cases, \$24.

A farm shop license fee for opium not exceeding \$25 a year.

There are also license fees for burial and burning grounds of from \$25 to \$100, which may be changed by the governor<sup>6</sup> ; upon brokers' shops at a fee prescribed by the governor.<sup>7</sup>

A license fee on carriages is levied, in addition to the municipal tax mentioned later.

*Expenditure.*—The chief sources of expenditure are : for the establishment, including salaries of all officials, pensions and buildings ; for railroads, streets, bridges

<sup>1</sup> Ordinances, 1885, No. 10, amended 1887, No. 17.

<sup>2</sup> Ordinances, 1886, No. 9.

<sup>3</sup> Ordinances, 1894, No. 11, amended 1896, No. 10.

<sup>4</sup> The Mexican dollar is the coin regularly quoted.

<sup>5</sup> Ordinances, 1896, No. 111.

<sup>6</sup> Ordinances, 1887, No. 11, amended 1896, No. 19.

<sup>7</sup> Ordinances, 1898, No. 4.

and canals; for education; for police; for military and naval expenditures.

In 1896<sup>1</sup> an ordinance was passed appropriating seventeen and a half per cent. of the colonial revenue as a contribution for the defence of the colony, this to include "gross receipts of revenue from all sources, but not proceeds of land sales and premia on leases or statutory land grants. The said percentages shall be deemed to be a fixed contribution payable by the colony in full return for the annual cost of the imperial garrison, including cost of maintenance, of military works and buildings, but not capital expended for military lands and buildings, nor charge for lodgings in lieu of barracks."

The new harbor of Singapore, which has been fully armed and fortified, cost for the fortifications £100,000, which expense was defrayed by the colony. The forts have been armed and equipped by the mother country.

In the year 1876, as a consequence of the rebellion of the Malay States a considerable debt was incurred which in the year 1877 amounted to £120,455. That has, however, been gradually paid off, the final payment being made in 1890, leaving the colony out of debt at present, except for an occasional temporary loan.

On the other hand, the Straits Settlements have acted in this regard as a mother country to the Federated Malay States, having loaned to them quite large sums, especially for the building and equipment of railroads, this loan forming at the present time the main item of the government's assets.

The adjoining tables give the revenue, expenditures, the shipping entered and cleared, the imports and exports for the years 1890 to 1897, together with the chief

<sup>1</sup> Ordinances of 1896, IV.

items of revenue and expenditure for 1897, the estimates for 1898-1899, and the assets and liabilities for 1894-1895.

Year.	[ooo omitted.] Finances.		Shipping Entered and Cleared Exclusive of Native Craft.	
	Revenue.	Expenditure.	British Tonnage.	Total Tonnage.
1890-----	\$4,269	\$3,758	7,033	9,679
1891-----	3,827	4,599	6,675	9,385
1892-----	3,653	4,266	6,146	9,070
1893-----	3,706	3,915	7,427	10,614
1894-----	3,905	3,715	7,711	11,126
1895-----	4,048	3,782	8,097	11,066
1896-----	4,266	3,957	9,016	12,508
1897-----	4,320	4,430	8,326	12,207
1898-----	5,086	4,965 (estimated)		
1899-----	4,919	5,372 (estimated)		

## REVENUES AND EXPENDITURES, 1897.

Stamps -----	\$ 304	Public works -----	\$ 494
Licenses -----	2,597	Education -----	92
Land revenue -----	260	Police -----	89
Port and harbor dues ----	168	Marine Dept. -----	64
Postage -----	212	Transport -----	12
Salaries -----	1,553	Military expense -----	1,027

## ASSETS AND LIABILITIES.

	1894.	1895.
Assets, Jan. 1 -----	\$2,370	\$2,605
(a) Cash on current accts., week locals -----	640	822
(b) Investments, gold <sup>1</sup> -----	137	137
(c) Invested in Government of India loan -----	---	---
(d) Loans of Native States -----	1,088	1,083
(e) Loans to municipalities -----	22	21
(f) Other investments -----	357	391
(g) Miscellaneous advances, etc -----	36	19
(h) Singapore defences -----	---	---
(i) Revenue in arrears -----	75	115
(j) Cash on current account with crownage --	16	17
Liabilities, Jan. 1.		
Deposits, etc -----	1894. \$676	1885. \$614
Balance in favor of crown agents -----	---	---
Temporary loan -----	141	141
Suspense account -----	---	59
Expenditures in arrears -----	25	32
Debenture loan -----	---	---
Total -----	835	846

<sup>1</sup> Excluding amount from loans on public works.

All the items for 1894 and 1895 are not given here because not in form for comparison. But the total is correct, though not sum of items here cited.

Year.	Imports.		Exports.	
	From U. K.	Total.	To U. K.	Total.
1890-----	23,552	147,297	24,785	127,924
1891-----	21,502	135,886	24,505	125,806
1892-----	22,296	141,428	25,085	134,638
1893-----	22,127	160,149	30,294	144,757
1894-----	27,852	209,354	31,759	173,900
1895-----	21,600	198,218	30,062	172,975
1896-----	21,681	201,344	26,012	173,721
1897-----	28,476	220,000	25,926	191,357

*Local Government.*—There are municipal Boards at Singapore, Penang and Malacca, the members of which are partly elected by the rate payers and partly nominated by the government. The municipal revenues are derived mainly from :

A rate on the assessed annual value of all houses, lands, buildings and tenements. Twelve per cent. is levied if the property is situated within the water limit ; 9 per cent. if outside.

A tax on carriages and other vehicles and draft animals varying from \$12 on a four wheeled carriage on springs, to \$4 for a cart of any kind drawn by a man, while \$2 is paid on a horse or mule.

A dog tax of \$1.50 per annum.

A business license for many trades, especially those dangerous or likely to be offensive, such as fish curing, making or storing matches or fireworks, boiling offal, blood or oils, petroleum depots, etc.

Fees on building plans, etc.

Water rates.

The accounts of the cities for the year 1897 were as follows :

	<i>Singapore.</i>	<i>Penang.</i>	<i>Malacca.</i>
Revenue, 1897-----	\$870,696	\$349,951	\$28,779
Expenditure, 1897-----	948,727	393,786	27,089
Cash Balances at close of year-----	196,866	25,786	6,710
Loans outstanding at close of year	1,143,235*	350,000	20,000

\* Net amount outstanding.



## THE FEDERATED MALAY STATES.

*History.*—Previous to the year 1874 the native States of the Malay Peninsula while having some previous relations of a semi-commercial, semi-political character with the Straits Settlements had nevertheless been independent. The prevailing disquiet, amounting in many instances to anarchy in several of the States, disturbed the Straits Settlements much and was a great hindrance to the prosperity of the country. In consequence Sir Andrew Clark strove, by the Pangkor Treaty of the 20th of January, 1874, to bring about a better relation, securing the right then to advise the ruler of Perak, and within a year those of the other two leading states, Selangor, and Sungei Ujong, respecting the collection of revenues and their administration.

In 1887, Sir F. Weld made an agreement with the Rajah of Pahang in accordance with which the control of his foreign relations was surrendered to the British Government, and in 1888 a further agreement brought that state under British protection on the same terms as the individual states above mentioned on the west coast of the Peninsula.

In 1895 the establishment of the federated states, known as Negri Sembilan (the nine states), a union of Sungei Ujong with other small states, gave the impulse for still closer relations among these different Malay States and the Straits Settlements.

Later, to take effect July 1, 1896, a federation of them all was formed (Perak, Selangor, Pahang and the Negri Sembilan) with the name of the Federated Malay States, to be governed under the advice of a British officer styled the Resident-General. Their estimated population is as follows:—

		1891.	1897.
Perak, (in 1879)-----	81,084	214,254	280,093
Selangor (in 1884)-----	46,568	81,592	160,000
Negri Sembilan-----	-----	70,730	85,000
Pahang-----	-----	-----	70,000
Total -----			595,093

*Government.*—At the present time the Residents of these four states, assisted by a corps of European officers, aid the native rulers by advice, and in general carry out the chief executive functions. In each state the supreme authority is vested in a State Council which consists of the highest native authorities and the principal British officers. The British Residents are appointed by the British Secretary of State for the Colonies, and are subordinate to the Resident General of the Federated Malay States and to the High Commissioner, an office held by the Governor of the Straits Settlements.

The Resident General supervises the work of the residents in each state and arranges mutual communication between the state governments and the High Commissioner. Subject to this authority the preceding system of administration remains, being shaped largely by the Residents. The states attempt to furnish each other assistance in men and money, the wealthier states assisting the others in need of help. Perak, for example, has been able to loan money to Selangor and to Pahang for the building and equipment of the new railways of those states.

These federated states have also the duty to raise and equip a force of native troops for service in the states, and in case Great Britain should be at war with any foreign power, they are expected to supply troops for the defense of the colony of the Straits Settlements.

The treaty of 1895 requires the rulers of the Federated States, together with the English Residents,

to meet periodically for discussion of affairs of mutual interest. Such meetings were held in 1897 and 1898 and in all respects seemed to be successful.

The spirit of the British Government in dealing with those states is shown, perhaps, most effectively by the relative salaries paid to the local native rulers, the Sultans, as compared with those paid to the English Officers who actually control the government.

The Governor of the Straits Settlements, who is also High Commissioner for these Federated Malay States, receives \$28,800 with an entertainment allowance of \$5,000. The Resident-General acting for all of the Federated Malay States receives \$12,000. On the other hand, the Sultan of Perak, one of these states, receives a salary of \$36,000, the British Resident in his state receiving only \$9,600. Similar differences are found in the other states, the Sultan of Selangor receiving \$18,000 while the British Resident receives only \$8,400.

*Fiscal System.*—The fiscal affairs of the colonies are determined quite largely by the nature of the population, more than half of whom are Chinese who are both the chief consumers of opium and the most efficient laborers both in agriculture and in mining.

The leading industry in these states is mining of tin, although at the present time agriculture is developing very rapidly, the chief products being rice, sugar, coffee and tea, the production of all of which is rapidly increasing.

Many improvements to further the internal development of the states have been made, especially in the building of railways. A principle which has been followed by the government is to manage these railways not primarily for profit, but to open up the states for

the sake of developing their industries, and for this purpose the states have not hesitated to lay upon themselves a heavy burden of debt.

*Revenue.*—The chief source of revenue in all the Federated Malay States comes from an export duty on tin. The total amount from this source in 1898 was \$3,210,699. Owing to the depreciation in the price of tin some two or three years ago, a new sliding scale was adopted which varies with the price, the average export duty being from ten to fifteen per cent of the value.

The revenue next in importance comes from taxes on land. The regulations relating to the land held by the natives under Malay tenure were made in 1890, each native to pay an annual quit rent to the Government in consideration of such holding. The chief rates in Pahang, which are typical, are as follows: On garden land, forty cents per acre; on swamp padi, forty cents per acre; on dry padi, twenty cents; on plough land, twenty cents; building lots in towns, twenty-four hundred square feet or under, pay per annum \$2; village lots \$1. For areas of forest land exceeding 100 acres, an assessment of \$3 is paid, with an annual quit rent of three cents per acre; for abandoned land or land with secondary growth of timber, a premium of \$1, or sometimes no premium, with a quit rent of from ten to twenty cents per acre. The amount received from lands in 1898 was \$636,927.

Licenses are also required for mining in all the different states, as well as for cutting of timber, or the capture or killing of large game,—elephants, rhinoceroses, etc., the fees to be notified by the English Resident.

Under an enactment of the 29th of November, 1897, the residents were empowered to constitute farms of the exclusive right of collecting duty payable on opium

imported, of spirituous liquors imported (import duties are collected only on opium and spirits), of issuing licenses for selling opium and spirituous liquors, keeping public gambling houses, licensing gaming, carrying on the trade of pawnbroker, collecting tithes and other duties, slaughtering cattle, etc. In the same year a new stamp duty providing stamps for various legal instruments, conveyances, checks, bills of exchange, etc., was passed. As in the Straits Settlements, there is also a license required for the sale of petroleum, the annual amount for twelve months for any amount not exceeding fifty cases being \$6, for that exceeding fifty cases and not exceeding five thousand cases \$24, and for every additional five thousand cases \$24. Further business licenses of a minor nature are also found in the several states.

#### PERAK.

In Perak, which is considerably further advanced in wealth than Pahang, in 1898 the revenues with the principal items, were as follows :

From customs,-----	\$2,358,713
From licenses, similar to those above,-----	911,288
From railways,-----	566,817
From land,-----	276,832
And from forests, which during that year was made a separate item from income on land,--	96,022

During that year the amount of the export duty on tin, owing to the increased price of the metal and the operation of the sliding scale, amounted to \$1,601,304.

The opium import duty, which had been raised from \$8 to \$9 early in the year and to \$12 per ball on the first of July, yielded \$730,840, together with \$1,805 from chests.

The railways in Perak show on the whole a profitable administration. The receipts and expenditures from



the two divisions, Larut and the Kinta Valley, are as follows :

	<i>Miles.</i>	<i>Receipts.</i>	<i>Expenditures.</i>
Larut .....	17½	\$ 66,151	\$ 54,419
Kinta Valley, ----	79	501,777	280,419
	<hr/> 96½	<hr/> \$567,928	<hr/> \$334,838

The total account at the close of that year was as follows :

Larut, .....	\$ 777,201 72
Kinta Valley, .....	4,291,674 69
Total, .....	<hr/> \$5,068,876 41

The net profit of the year's working was :

On the Larut branch 1.50 per cent. of the capital account :

On the Kinta Valley branch, 5.16 per cent. of the capital account.

The total train mileage and profit per train mile was as follows :

	<i>Mileage.</i>	<i>Profit per train mile.</i>
Larut, .....	41,162	\$ 28
Kinta Valley, .....	217,151	1 02

The working expenses were as follows :

Larut Division, .....	82.62% of the gross receipts.
Kinta Valley, .....	55.88% of the gross receipts.

The contrast in accounts of the two lines show the policy of the colony in developing lines which as yet do not yield material profit.

*Expenditures.*—The expenditures besides the cost of administration with salaries of native as well as British rulers are largely on public works.

During the year 1898 there was expended on railway construction, in Perak \$2,196,174.36.

On public works during 1898 the expenditures were \$846,119, the amount for buildings being some \$230,000,

the rest being mostly for the building of roads, streets and bridges. A noteworthy fact is that these states are all of them expending much money for the completion of good metal cart-roads as well as bridle roads and paths.

The adjoining tables show the total expenditures of all the Federated Malay States from 1888 to 1898 inclusive, together with the chief sources of revenue, from 1894 to 1897 and the debts.

REVENUE.<sup>1</sup>

[ooo omitted.]

Year.	Perak.	Selangor.	Negri Sembilan.	Pahang.	Total.
1888-----	\$2,016	\$1,418	\$223	---	\$3,658
1889-----	2,777	1,828	378	\$30	5,013
1890-----	2,504	1,889	385	62	4,840
1891-----	2,325	1,826	344	77	4,572
1892-----	2,690	2,135	472	50	5,347
1893-----	3,034	2,765	530	84	6,413
1894-----	3,542	3,334	535	100	7,512
1895-----	4,034	3,805	535	107	8,481
1896-----	3,961	3,757	555	161	8,435
1897-----	3,838	3,688	572	198	8,297
1898-----	4,576	3,862	701	225	9,364

## EXPENDITURE.

[ooo omitted.]

Date.	Perak.	Selangor.	Negri Sembilan.	Pahang.	Total.
1888-----	\$1,709	\$1,055	\$249	---	\$3,014
1889-----	2,090	1,394	464	\$142	4,091
1890-----	2,556	1,997	387	298	5,237
1891-----	3,146	1,724	446	238	5,555
1892-----	3,095	2,044	473	271	5,883
1893-----	3,401	2,605	509	282	6,798
1894-----	3,587	2,817	509	249	7,162
1895-----	3,757	3,083	510	232	7,583
1896-----	3,989	3,573	573	462	8,598
1897-----	4,178	3,568	607	442	8,795
1898-----	5,561	4,446	731	373	11,110

<sup>1</sup> Tables all taken from the official "Reports on the Federated Malay States for 1897."

## DUTY ON TIN.

Date.	Perak.	[ooo omitted.]			Total.
		Selangor.	Negri Sembilan.	Pahang.	
1888-----	\$ 851	\$ 527	\$ 58	--	\$1,437
1889-----	937	751	60	\$ 2	1,750
1890-----	861	673	71	5	1,609
1891-----	813	673	79	9	1,573
1892-----	1,125	828	135	8	2,097
1893-----	1,334	1,082	176	10	2,602
1894-----	1,649	1,402	169	18	3,238
1895-----	1,670	1,520	165	24	3,380
1896-----	1,541	1,377	181	27	3,127
1897-----	1,347	1,158	186	26	2,716
1898-----	1,601	1,347	228	34	3,211

## LAND REVENUE.

Date.	Perak.	[ooo omitted.]			Total.
		Selangor.	Negri Sembilan.	Pahang.	
1888-----	\$ 86	\$ 50	\$ 53	--	\$189
1889-----	82	43	54	\$11	191
1890-----	75	33	38	20	166
1891-----	93	42	43	22	200
1892-----	153	82	52	14	301
1893-----	150	104	69	24	348
1894-----	236	123	70	28	457
1895-----	226	142	76	24	468
1896-----	281	134	66	30	511
1897-----	338	171	77	50	636
1898-----	277 <sup>1</sup>	193	103	63	637

## POSTAL AND TELEGRAPH AND CONSOLIDATED RAILWAY RECEIPTS.

Date.	[ooo omitted.]	
	Post and Telegraph.	Railways.
1888-----	\$ 18	\$ 368
1889-----	26	359
1890-----	38	406
1891-----	44	415
1892-----	54	537
1893-----	71	724
1894-----	90	987
1895-----	111	1,294
1896-----	140	1,345
1897-----	141	1,294
1898-----	174	1,395

<sup>1</sup> Forest revenue \$96,022 is included in previous years, but not in 1898.

## LABUAN, BRITISH NORTH BORNEO, SARAWAK.

These three colonies located in the north and west of Borneo, and a little island adjoining, are under the general supervision of the Governor of the Strait Settlements as High Commissioner, though each has its own local government. They are of, relatively speaking, so little financial importance that it will suffice to mention the chief sources of revenue and expenditure, and to give brief statistical tables of the totals.

## LABUAN.

In Labuan the government is administered by a governor and a residential staff. Since 1889 the Governor of British North Borneo holds this position *ex-officio*. In 1871 the military garrison maintained by the imperial government was withdrawn and an armed police force substituted by the colony.

The chief sources of revenue are the import duties, licenses on tobacco, spirits, opium, and the fish market stalls. The tobacco and spirits licenses are practically monopolies, only one being granted. Next in importance are the land revenues including transfer and registration dues. The chief expenditures are for the cost of the establishment, although the government is also expending considerable money in public works, buildings, roads, streets and bridges. Since 1869 the colony has supported itself. Before that date, the expenditure of the colony was partly defrayed by the imperial Grant-in-Aid. The following table gives the gross amount of revenue and expenditure from 1890 to '96, together with the public debt, and shipping.

[000 omitted.]

Year.	Finance.		Shipping Entered and Cleared.		Public Debt.
	Revenue.	Expenditure.	British Tonnage.	Total Tonnage.	
1890-----	\$23	\$26	102	115	£ 200
1891-----	42	30	114	124	200
1892-----	40	33	107	115	200
1893-----	40	36	94	109	400
1894-----	37	45	93	114	343
1895-----	48	70	133	141	342
1896-----	55	54	118	129	342
1897-----	56	49	263	325	-----

## BRITISH NORTH BORNEO.

This territory was ceded by the Sultans of Brunei and Sulu in 1877-78 to Sir Alfred Dent, and was transferred in 1882 to the British North Borneo Co. It was placed under the protection of England in 1888 with some further cessions. The territories are administered by the Court of Directors in London appointed under the charter and a Governor and residents appointed by them, the appointment of the Governor being subject to the approval of the Secretary of State. Since 1889, he serves also as Governor of Labuan.

The revenue is derived from import duties, especially one on rice, a stamp duty, royalties on various exports, exemption taxes for natives, licenses for the sale of opium, spirits and tobacco and from the sales and rent of lands. The following table gives the total revenues, receipts from land sales and expenditures from 1890-'97.

[000 omitted.]

	Revenue Proper.	Land Sales.	Expenditures.
1890-----	\$336	\$240	\$347
1891-----	376	7	410
1892-----	318	67	349
1893-----	249	0.8	254
1894-----	279	0.5	294
1895-----	301	1	230
1896-----	352	4	260
1897-----	380	1	292



## SARAWAK.

Sarawak was ceded by the Sultan of Brunei in the year 1842 to Sir James Brooke, who became the well known Rajah Brooke of Sarawak. In '61, '82, '85 and '90 still further cessions were secured. In 1888 an agreement was entered into with the Rajah, under which this independent state was placed under British protection. The English government does not interfere with the internal administration, but determines any questions that arise regarding the succession. It controls foreign relations and has the right to establish consular officers. None of the territory can be alienated without the consent of England.

The principal sources of revenue are the opium, gambling, arrack and pawn farms, together with some harbor and light dues and some personal poll taxes. The revenues and expenditures from '92 to '97 are as follows :

[ooo omitted.]

	Revenue.	Expenditure.
1892-----	\$462	\$425
1893-----	457	478
1894-----	458	487
1895-----	454	463
1896-----	494	444
1897-----	565	504

## HONG KONG.

The system of government of Hong Kong, including its financial system and the sources of income and expenditure, are so similar to those of the Straits settlements, owing to the fact that the colony is similarly situated and has the same inducements for encouraging trade that it does not need special treatment, as regards sources of revenue and expenditures. The appended

table gives amounts, with population, shipping and debt, so that comparisons can be readily made :

Year.	Finance.		Shipping Cleared and Entered.	
	Revenue.	Expenditure.	British Tonnage.	Total Tonnage.
1890-----	\$1,995	\$1,915	6,995	13,676
1891-----	2,025	2,449	7,191	14,006
1892-----	2,237	2,343	7,576	14,153
1893-----	2,078	1,921	7,732	14,349
1894-----	2,287 <sup>1</sup>	2,299	7,778	13,951
1895-----	2,486	2,972	8,590	15,632
1896-----	2,610	2,475	8,758	16,516
1897-----	2,687	2,641	8,269	15,938

There is a public debt of £341,800.

#### POPULATION.

	European and American.	Chinese.	Others.	Total.
1891-----	8,545	210,955	1,901	221,401
1898-----	-----	-----	-----	248,710 (estimated)

#### Fiji.

The Straits settlements and the Federated Malay States are chiefly noteworthy from a fiscal point of view, from the fact that, lying on the main highway of commerce between the Indian Ocean and the Eastern Seas, they have found it advisable to limit the import duties entirely to those on opium and spirits, where the idea of police regulation is joined with that of revenue.

A typical colony of a somewhat different nature whose inhabitants are nevertheless comparable with those of the Federated Malay States is Fiji. This island, lying as it does separate from any of the other colonies and not so situated that it forms a convenient port for the transshipment of goods, has its revenues arranged on an entirely different basis.

The total area of Fiji is 7,435 square miles,—about

<sup>1</sup> Expenditure exclusive of \$236,810 for public works extraordinary, chargeable to the loan raised in 1893.

equal to Wales. Its population belonging to the darker of the two Polynesian families, although its blood has received considerable admixture with the other, is estimated, in 1897, at 121,798.

*History.*—These islands were discovered in 1643. Missionaries settled there in 1835. In 1859 the most powerful chief offered the sovereignty of the islands to Great Britain. Though this was declined for the time, in June, 1871, some Englishmen set up a government with the principal chief as king, a constitution was agreed upon and a parliament elected. Later, in 1873 and 1874, negotiations which had been entered upon were finally completed and the sovereignty was ceded to England in 1874.

*Government.*—The government consists of a governor appointed by the home government, an executive council consisting of the governor and four official members, and a legislative council consisting of the governor, six official and six non-official nominated members. To the natives a large share of self-government has been conceded. Their system of village and district councils has been recognized and improved, and supplemented by an annual meeting of the high chiefs and representatives from each province, presided over by the governor. The regulations recommended by these bodies have, however, to receive the sanction of the legislative council before acquiring the force of law. Local municipal governments have also been established in different places, these boards being regulated by the central government. The governing body in each town is elected by the rate payers.

*Revenues.*—A considerable portion of the revenue, "varying from £15,000 to £19,000," is raised from taxation of the natives as follows :

The colony is divided into fourteen provinces, each under the control of a chief native officer. Each province is sub-divided into districts with a sub-head. Once every year the provinces are severally assessed by the legislative council for the fixed amount of tax to be delivered in the form of produce, consisting of sugar-cane, copra, tobacco, yangona, cotton, maize, bêche-de-mer, and occasionally green fruit and yams. These products are either disposed of under permanent contracts at a fixed price per ton or are sold by public auction. The provincial council, consisting of these native officers, distribute the provincial taxes among the different districts, and there is further sub-division among the different villages. The amount and kind of produce paid by each province and district is recorded, and if the total value in any case exceeds the amount of the assessment, the surplus is returned in the form of money.

A large proportion of the revenue in Fiji, however, is derived from import duties. The new tariff coming into force on the 10th of March, 1898, increased the duty on some articles, and, undoubtedly, increased also largely the total amount of revenue from this source. Duties are levied on probably a hundred different articles, but the duties are in most cases low. The highest rate ad valorem is 20 per cent., levied on jewelry; fifteen per cent. is levied on perfumed oils and soaps and one or two other luxuries of a similar nature. Five per cent., ten per cent., and twelve and a half per cent., are the rates most generally levied on ordinary articles.

Specific duties are levied on iron products of different kinds, on various kinds of chemicals, including oils, and on some few articles of food.

*Local Revenues.*—Rates for local purposes are col-

lected on land and house property, which rates are limited to one shilling in the pound on the assessed value of ratable property, but special rates not exceeding one shilling in the pound are further provided for.

Likewise grants in aid, not exceeding one-fifth of the sum received by general tax may be paid from the general revenue to any town board. These grants in aid are especially provided for educational purposes.

*Expenditures.*—The chief items of expenditure in 1898 were the charges on account of the public debt and the different departments of the government, the legal and judiciary department requiring the largest sum. This was followed by the emigrant and treasury departments, then by the public works department and other salary accounts.

*Debts.*—In the years 1875 to 1878 the mother country advanced as much as £105,000 to the colony, all in aid of local revenue. A small part of this was repaid, some of it directly, some indirectly, by disbursing, for the account of the Imperial Government for expenses of the Western Pacific High Commission, sums out of the colonial funds.

In 1892 arrangements were made for the repayment of the balance by an annual installment of one per cent. The amount paid on account of the public debt in 1898 was £9,290, 5s. and 1d.. The colony is at present entirely self-supporting.

A comparison of the financial system of Fiji with those of the Straits Settlements and the Federated Malay States, calls especial attention to the difference in the sources of revenue, import duties being the chief source in Fiji and export duties on tin a chief source for the Federated Malay States. In both cases it is noteworthy that the revenues to be raised by licenses are admin-



istered largely by native officials under the supervision of English officers.

Tables are appended giving the revenue and expenditure for several years, with leading items for 1897; the imports, and exports, and the debts.

## FIJI.

[ooo omitted.]

	Revenue.	Expenditure.
1875-----	£ 16	£ 41
1893-----	77	86 <sup>1</sup>
1894-----	80	72
1895-----	78	76
1896-----	74	73
1897-----	74	73
Revenue, 1897.		
Customs -----		£ 32,994
Shipping dues -----		4,254
Licenses and internal revenue -----		7,298
Native taxes (paid in produce) -----		19,217
Fees of court -----		6,847
Postage dues and stamps -----		2,686
Expenditures, 1897.		
Charges on account of public debt -----	£	9,297
Pensions -----		873
The Governor and Legislature -----		2,515
Colonial Secretary's department -----		1,130
Government printing office -----		1,522
Audit department -----		724
Postal department -----		2,664
Provincial department -----		5,739
Treasury -----		3,760
Customs department -----		2,688
Port and marine -----		1,464
Immigration -----		7,337
Judicial and legal -----		8,693
Police -----		2,989
Armed native constabulary -----		1,836
Prisons -----		2,975
Medical -----		4,548
Hospital and lunatic asylum -----		2,240
Education -----		1,595
Transport -----		1,434
Miscellaneous -----		1,166
Lands, works and survey department -----		1,670
Public works -----		4,370
Total -----		£ 73,229

<sup>1</sup> Some earlier here brought to account.

[ooo omitted.]		Imports.	Exports.
1896.....		£ 242	£ 435
1897.....		249	432
Imports subject to duty, 1897.....			£ 159
Free .....			90
			249
Public Debt.			
The public debt consists of a loan.....			£ 115,700
And advances, without interest, from the Imperial Gov't. .			97.556
Total .....			£ 213,256

## BRITISH NEW GUINEA.

Owing to its situation near Australia, the public men of that colony had advocated the annexation by Great Britain of as large a portion of the island of New Guinea as possible for some time before the British government was willing to undertake the task. In the meantime, part of the country had been taken possession of by Germany and part by Holland. The French government had established in the neighborhood penal settlements in New Caledonia, so that the advisability of controlling the unoccupied portions of this island became more apparent. In 1883 the government of Queensland annexed the southeastern part of New Guinea, but the annexation was not ratified by the imperial government. At length, however, the Australasian colonies agreeing to guarantee fifteen thousand pounds a year to meet the cost, a protectorate was established in 1884 over the present territory. Later, in 1887, the colonies of Queensland, New South Wales and Victoria undertook to guarantee in equal shares for ten years, fifteen thousand pounds for defraying the cost of administration, with the understanding that English sovereignty would be proclaimed. Queensland became responsible for the payment of the guaranteed sum. The imperial government during the last ten years has contributed



EXPENDITURES OF BRITISH NEW GUINEA.<sup>1</sup>

Head of Expenditure.	1888-89	1889-90	1890-91	1891-92	1892-93	1893-94	1894-95	1895-96
Civil list of salaries . .	£ 2,633	£ 3,300	£ 3,290	£ 3,300	£ 3,300	£ 3,300	£ 3,248	£ 3,186
Other salaries . . . . .	1,796	2,381	3,476	3,559	3,707	3,479	3,640	3,779
Vessels and boats . . . .	2,747	2,564	2,938	2,993	1,600	1,308	2,114	1,587
Allowances . . . . .	1,296	2,548	1,500	1,356	1,748	1,454	1,614	1,388
Buildings and works . .	185	1,144	979	780	872	435	397	661
Agriculture . . . . .	2	137	355	335	146	203	145	142
Mail service . . . . .	445				450	750	900	900
Miscellaneous . . . . .	1,662	2,898	2,459	2,675	3,174	4,071	2,942	3,357
Total . . . . .	10,769	14,975	15,000	15,000	15,000	15,000	15,000	15,000

	Imports.	Exports.	Shipping. Tons.
1888-89-----	£ 11,108	£ 5,943	-----
1889-90-----	16,104	6,455	-----
1890-91-----	15,530	8,134	-----
1891-92-----	23,756	11,289	5,669
1892-93-----	25,197	14,966	4,405
1893-94-----	28,500	14,952	6,663
1894-95-----	28,367	16,215	12,687
1895-96-----	34,521	19,401	28,704
1896-97-----	51,392	44,345	28,824
1897-98-----	46,971	49,859	26,551

## MAURITIUS.

Without entering into details regarding the revenue system of Mauritius, it will serve to call attention to one or two items of special interest from the fiscal point of view.

In 1890 the system of levying a surcharge—of 10%—on the principal items of customs revenue was adopted. In 1895 this provisional duty was made permanent, and customs duties on several important articles were increased or decreased.

In 1892 a loan of £600,000 was raised to meet the wants and necessities created by a hurricane, and to provide for certain needed public works. The home

<sup>1</sup> Table taken from Annual Colonial Report for 1895-96 on British New Guinea, page 46.

government was requested to guarantee this loan and did so.

In 1897 the military contribution was fixed at  $5\frac{1}{2}\%$  of the annual revenue.

An annual subsidy of 60,000 rupees has been paid to the Messageries Maritimes Co. Also one of £7,000 is paid to the Eastern and South African Telegraph Co., (limited), towards the expense of the cable from Mauritius to Seychelles, and Seychelles to Zanzibar.

#### CEYLON.

Ceylon, lying off the southern extremity of Hindustan, contains a little more territory than Holland and Belgium together,—something over 25,333 square miles. The population in 1897 was estimated at 3,391,443. Of this number 6,545 were Europeans and 23,663 Burghers or European descendants. The largest part of the inhabitants consists of the Sinhalese,—2,174,200, and the Tamils, including the South India immigrants,—960,745. The climate is healthy for the tropics, and the island, on the whole, productive. While it had earlier been visited by Europeans, the first settlements were made in 1505 by the Portuguese. Later their settlements were conquered by the Dutch, and in 1795–96, the English took possession. In 1801 Ceylon was made a separate colony, and since 1815 the Island has been completely under the control of the English.

*Government.*—In 1831 a Council of Government was appointed, and in March, 1833, the government substantially as now existing was established. The government consists of a governor with an executive council of five, consisting of the lieutenant governor and colonial secretary, the officer commanding the troops, the attorney general, the auditor general and the treasurer. There is



also a legislative council of seventeen members, consisting of the five members of the executive council, four other official members, together with eight nominated unofficial members who represent different classes and races in the community.

For administrative purposes the Island is divided into nine provinces. For each of these is a government agent who, with his assistants and subordinate head men, acts as means of communication between the government and the natives.

There are three independent municipal governments—Colombo, Kandy and Galle. Besides these, there are fourteen local Boards of Health and Improvement, the main purpose of which is to keep a supervision of sanitary arrangements.

*Revenue.*—The revenue is principally derived from customs duties, excise and other internal revenue, and from the government railways, although considerable sums come from port, harbor and lighthouse duties, court fees, telegraphs, rent and sale of government property. The largest amount of the customs duties is received from those on grain, the total amount in 1896 being 2,464,438 rupees. The rates levied on some of the leading articles are one rupee per hundred weight on wheat flour; thirteen cents per bushel on paddy and barley imported for brewing; twenty-nine cents per hundred weight on rice, wheat, peas, beans and other grain, except those mentioned above. Next in importance to grain are spirits and cordials, which pay a duty of five rupees per imperial gallon of all spirits under proof, with an increase of fifty cents for every ten degrees over proof. Sugar, refined, and candy pay three rupees per hundred weight; cotton goods of various grades pay, generally speaking, about five per cent. The im-

port duties on some 130 articles, grouped under some twelve or fifteen heads, are still levied, though the list of exemptions is a long one.

There is an urgent demand for a revision of the revenue system in many particulars. Owing to a lively agitation against taxes on the food supply, coupled with much suffering on the part of the poor, the paddy rents—an old system of internal taxation derived from the ancient Kandyan rulers—were abolished. Inconsistently enough, however, the corresponding customs duty on paddy was not abolished, so that now there remains a high protective duty, with the necessity still remaining of a large import of rice to prevent actual suffering. In 1897, 8,723,750 bushels were imported, while some 6,000,000 bushels only were grown in the island free from tax. The burden of the tax falls heavily upon many of the poorer classes. The customs taxes seem, too, in many cases to be levied on the raw material, while the finished product is admitted free. The old import duty of 25 cents per pound on tea, about 50 per cent. ad valorem, still remains, although Ceylon has become one of the great exporting countries and raises a large sum from levies on exports of tea.

Export duties are levied also on plumbago, hides and horns, elephants, chanks and cinchona, the largest income being derived from the exportation of plumbago,—90,266 rupees,—the rate being twenty-five cents per hundred weight. A royalty of two hundred rupees per head is levied upon elephants exported, but none can be shipped without a permit from the district in which they have been captured. In accordance with an ordinance of 1892, an export duty of twenty cents was levied on every one hundred pounds of tea to provide revenue for the expenses of the Ceylon exhibit at the

Chicago Exposition. In 1894 this was continued, the proceeds to go into a fund to increase the use of Ceylon tea in foreign lands. The most important excises as a source of revenue are those on arrack, rum and toddy, amounting in 1896 to 2,487,770 rupees, the rate being 100 rupees for general sale.

A large revenue is derived, also, from salt,—999,801 rupees in 1896. Salt is a government monopoly. The cost is about forty cents per hundred weight, and it is sold to the dealers at about 2.36 rupees per hundred weight, or two and a fourth cents per pound, the difference being the profit from the revenue monopoly. When salt can be spared for export, it is sold from the government stores at from  $4\frac{1}{4}$  to  $5\frac{1}{4}$  rupees per ton.

Nearly one million rupees—939,894 in 1896—are derived from the port, harbor, wharf and lighthouse dues. There are special tonnage dues at each leading port, ranging from  $2\frac{1}{2}$  rupees for smaller vessels up to 120 rupees for larger ones. Additional dues are also payable upon cargo discharged or loaded, together with warehouse charges for goods which remain in store.

The crown lands in Ceylon furnish a considerable item in the revenues, both from royalties on timber cut on a permit in crown forests, and from the sale of crown lands. In 1896, timber and fire wood cut on crown lands brought a revenue of 462,546 rupees, while from the sale of lands 443,089 rupees were realized. From 1833 up to the end of 1896, 1,471,272 acres had been sold, realizing £2,585,651. Probably two-thirds or more than nine hundred thousand acres have been purchased by Europeans for coffee, tea and other plantations, while in all probability the natives hold nearly three times this amount, a large part of these lands being held by title more or less good, obtained previous to

1833. In spite of these large sales of land and the amounts alienated earlier, large tracts, especially of pasture lands, still belong to the government and are made use of by the natives. The average prices received have usually been low, but some lands have sold at nearly £25 per acre. These high prices, of course, can be offset against the low prices of from five shillings to a pound in the earlier days.

The largest single item of revenue is that from the railways, all of which are owned by the government, the income in 1897 being 7,326,916 rupees. In 1897, the Ceylon government owned 297  $\frac{1}{8}$  miles of railroad track, not including some 31 miles more of sidings, all of 5  $\frac{1}{2}$  feet gauge. The original cost of these roads was 52,996,780 rupees, an average of 173,595 per mile. The average speed of trains on these roads is some 21 miles per hour. Against the large income of more than Rs. 7,000,000 in 1897 as given above should be offset, of course, the working expenses of the lines, etc., amounting to Rs. 3,428,899, leaving a profit on the whole of Rs. 3,898,017. The cost of the different lines of road, with the expenses of management, vary of course materially, but all of the lines yield a large net revenue.

The following brief paragraph gives the leading statistics regarding the railroads from 1890 to '96 inclusive :

Year.	Receipts Million Rupees.	Work- ing Ex- penses. Million Rupees.	Percent. of Receipts	Million Passen- gers.	Thou- sand Tons of Goods.	Miles of Line Open (aver- age).	Profit. Million Rupees.	Percent- age of Profits to Total Original Capital.
1890--	3.9	1.7	44.6	2.7	229	188 $\frac{3}{4}$	2.1	5.70
1891--	4.4	1.9	44.06	3.1	281	191 $\frac{1}{2}$	2.5	6.60
1892--	4.7	2.3	48.71	3.5	267	191 $\frac{1}{2}$	2.4	6.41
1893--	5.0	2.5	50.00	3.7	294	231 $\frac{3}{8}$	2.5	5.36
1894--	5.6	3.0	53.2	4.2	314	270 $\frac{1}{2}$	2.6	5.39
1895--	6.2	2.9	46.73	4.8	412	271 $\frac{5}{8}$	3.3	6.29
1896--	6.8	3.0	43.87	5.7	421	297 $\frac{1}{8}$	3.8	7.18
1897--	7.3	3.4					3.9	

*Expenditures.*—The principal items of expenditures are the establishments, contributions toward military expenditures, pensions, interest on loans and public works.

Besides the amount expended in building and improving the railways, the Public Works Department has expended in the different provinces large sums of money in building and improving hospitals and dispensaries, in roads and bridges, in maintaining canals, irrigation works and public buildings. Of special importance are the breakwaters, protecting the harbor at the city of Colombo and the water works system of the same city. Of metalled roads there were in 1896, 2,333 miles; of gravelled and natural roads, 673 and 487 miles, giving a total of 3,493 miles, on which there was a total expenditure during that year of 1,239,800 rupees. There was also in 1895 165 miles of canals. The roads mentioned are exclusive of roads within municipal limits and of those which are not in the charge of the Department of Public Works. Every male between the ages of eighteen and sixty-five is bound to perform six days' labor in the year on the roads or to contribute a rupee and a half by way of commutation. The total amount expended on irrigation works from 1867 up to and including 1896 was 8,060,030 rupees.

The brief table on the following page gives a general oversight of the financial situation in the colonies for the years 1890-97 inclusive.

The total customs revenue in 1897 was Rs. 5,973,785, being 6 per cent. of the imports.

*Military Expenditure.*—In the earlier years of the century when Ceylon was governed as a military settlement, the expenses to the imperial treasury for defense were considerable. There has been a number of



changes made in the military contribution for the colony within the last few years. In 1885 the payment of 600,000 rupees per annum was agreed upon, which

Year.	Finances.		Shipping Entered.	Imports.		Exports.	
	Revenue Million Rs.	Expendi- ture Million Rs.	Million Tons.	From U. K. Million Rs.	Total Million Rs.	To U. K. Million Rs.	Total Million Rs.
1890----	16,2	15,3	5,1	18,5	63,1	33,2	51,1
1891----	18,0	16,4	5,7	19,3	66,6	41,5	58,8
1892----	18,5	17,8	5,8	17,9	70,7	40,0	62,3
1893----	18,1	18,3	6,2	18,9	72,3	48,2	69,0
1894----	19,5	20,3	6,4	19,2	78,1	53,6	72,0
1895----	21,0	21,5	6,5	20,2	84,6	57,5	77,5
1896----	22,0	21,2	7,1	21,3	87,8	55,5	78,0
1897----	24,0	21,6	6,7	26,0	98,0	51,3	77,7

lasted until 1890 when there was a slight increase. It was stipulated that the colony in return for this military contribution of 600,000 rupees was to have a force of four hundred regular soldiers, the number estimated as required for colonial purposes in distinction from imperial requirements. The cash cost of four hundred was somewhat less than 516,000 rupees. The imperial government has always maintained more than four hundred soldiers in Ceylon, but of some of the cities, especially Trincomalee, the defence is considered to be an imperial one, and the expense has been carried entirely by the imperial government. In 1891 it was agreed by the Secretary of State for the Colonies that the colony should contribute £70,000 and that this contribution should increase by £10,000 each year until £100,000 were reached in 1894, and that it would then continue at that sum, unless a revision were made in 1895. Since 1895, however, the contribution has been arranged differently, being fixed at  $\frac{3}{40}$  of the gross revenues, exclusive of

the land sales, about  $7\frac{1}{2}$  per cent. of the revenue of the colony, while 25,000 rupees more are allowed for the the refund of customs duties on articles imported for the use of the troops. In 1897 and '98, a still further ordinance was passed making the contribution  $9\frac{1}{2}$  per cent. of the revenue less land sales and railway charges, but never to exceed three-quarters of the total cost of the garrison estimated at 151,250 rupees. There are also certain minor ordinances, but this gives substantially the cost of the contribution.

*Local Finances.*—Apart from the general revenue collections, local taxation is confined to the receipts of three municipalities, fourteen minor towns organized under local boards for sanitary purposes, sixty-four village councils in different districts, to the road ordinance contribution collected by the different provincial and different road committees throughout the country, to minor irrigation and market collections, to special assessments on minor towns, for police purposes, and on planters for grant-in-aid roads and cooly medical aid. The cooly medical aid is now chiefly raised from the customs. The amounts of local revenues raised in 1896, including balances, are about as follows :

Road committees.....	Rs. 1,018,722
Municipal councils.....	974,523
Local boards .....	165,865
Village councils (gansabhawas) .....	72,162
Irrigation, etc .....	17,148
Markets.....	4,052
Total .....	2,252,472

The Governor is empowered to create committees, the members of which are to be partly nominated and partly elected, to provide for sanitation and the general welfare of towns and villages, which may be brought under the general law. Members elect-

ed to such boards receive no salary for their services. The accounts of such boards are audited by the auditor general. Their special funds consist of fines, stamp duties, licenses, taxes, fees, rents, markets slaughter houses, etc., while the government may contribute any portion of the cost of any especial work in any town that is estimated at more than one hundred rupees. There is also an assessment tax on houses within towns, the rate of which has varied considerably. At present, the maximum rate is five per cent. of the annual value, that being understood to be the gross value without any reduction for expenses, repairs, etc. In one of the municipalities, Colombo, a consolidated rate of eleven per cent. is levied for police, lighting and water, instead of the rates being levied separately as in the other municipalities. The local boards are also authorized by an ordinance of 1890 to borrow money for carrying out any water works of a permanent character, offering as security the taxes and rates. If we take the municipality of Colombo as typical, we may note that licenses are issued for the ownership of guns, the selling of intoxicating liquors, the selling of opium, of petroleum, to auctioneers, to butchers, etc., a very prominent source of revenue being commutation for labor under a road ordinance, while a tax on vehicles and animals brings in also considerable revenue. The list of expenditures calls attention to the fact that besides those for salaries and the ordinary expenditures for offices and keeping of the municipal buildings, the city itself supports and lights the markets, slaughter houses, and toll houses; builds and repairs the roads, bridges, culverts, parks, a lake and canal, and cemeteries; supports a fire brigade, keeps carts for its own scavenging, etc., the municipal government thus undertaking certain

lines of works that in other places are left to private initiative.

The Budget for 1898, by main headings, will serve sufficiently for illustration :

## REVENUE.

Commutation under road ordinance .....	Rs. 63,000
Tax on vehicles and animals .....	20,000
Dog tax .....	3,000
Licenses .....	74,329
Judicial fines .....	18,075
Tolls .....	114,770
Markets .....	30,906
Slaughter houses .....	33,422
Health department .....	97,128
Miscellaneous .....	46,775
Total .....	501,405

## EXPENDITURE.

Establishments (salaries and contingencies) .....	Rs. 68,973
Commutation under road ordinance .....	5,100
Licenses and taxes .....	2,725
Markets .....	14,120
Slaughter houses .....	10,398
Toll houses and other buildings .....	2,347
Roads, bridges and culverts .....	127,627
Drains .....	22,578
Lake and canals .....	8,300
Parks .....	10,426
Cemeteries .....	7,633
Fire brigade .....	2,613
Health department .....	116,796
Sanitary account .....	2,500
Scavenging .....	34,000
Latrines .....	3,362
Printing department .....	2,884
Miscellaneous account .....	35,304
Victoria bridge account .....	8,000
Refund of loan and interest .....	12,000
Total .....	497,666

*Debt.*—The total amount of the outstanding debt of Ceylon, on Dec. 31, 1896, according to the Blue

Book of that year, was £3,519,503. In addition there had been made local loans of £3,290,595. These various debts were mostly due to various inscribed stock and debenture holders. The latter loans pay an interest of three per cent., some of the earlier of four, and in one instance of four and a half per cent. One debt of £250,000, of which nearly £100,000 has been repaid, was raised from the public works loan commissioners in England, and pays three and one-half per cent. The loans have been mainly made for the improvement of Colombo harbor and for the building of railways, although one loan of £331,000 was made for the construction of the Colombo water works, and another loan was partly used for other public works. Two loans amounting to \$365,000 were for the construction and improvement of certain irrigation works.

All of these loans, local as well as general, have been made a charge on the general revenue.

*Results.*—It will be noted that the general principles followed in determining the fiscal system of Ceylon differ materially from those of the Straits Settlements and Hong Kong, owing to the different situation. The development of those two colonies depends upon the development of their trade, and in consequence, revenues have been raised entirely by internal taxes, no duties whatever being levied on imports, excepting that on opium in the Straits Settlement, as a police regulation, and one on spirits and opium in the Federated Malay States for similar reasons. In Ceylon, however, where the prosperity of the colony depends upon the development of its internal resources, an entirely different plan has been followed as in some of the minor colonies mentioned before. A large percentage of the revenue is derived from import duties which, while they are



mostly levied with reference to the production of revenue, have nevertheless apparently in one or two cases something of a protective idea, although this is perhaps due chiefly to the delay in changing taxes to meet new conditions rather than from premeditated purpose. In both cases an effort has been made to retain to a considerable extent the taxes to which the natives were accustomed, even though they seemed at times to bring hardship upon the community. This has been especially true in Ceylon of the grain taxes and the paddy tax before its abolition in 1893.

Export taxes, which are so entirely contrary to the principles of the United States, are found in many of the colonies,—in fact, wherever the colony has a distinct advantage over the rest of the world in its productions. A noteworthy instance of this kind, however, is found in the export tax on tea in Ceylon, the receipts from which are used for the extension of the Ceylon tea market, and can hardly, therefore, be considered properly a part of the budget of the colony.

#### GENERAL CONCLUSIONS REGARDING THE BRITISH COLONIAL FISCAL SYSTEM.

This brief study of the colonies of England in the Far East leads to the following conclusions: Great Britain makes her dependencies, even though they are small and not yet completely developed, self-supporting. In certain instances, the home government grants favors in the way of loans, as for example, those to Fiji, but these loans are made with the expectation that they will be paid off. In one case, Mauritius, of which no full account has been given here, the home government has guaranteed a loan, raised to meet an emergency caused by a hurricane.

The mother country expects the colonies to pay also a military contribution, which shall cover the expense due to protection of the interests of the colony itself. Wherever ports are fortified with reference to the interests of the British Empire as a whole, the mother country bears the expense. No further favors are granted to the colony by the mother country beyond the keeping of order and the protection against other countries.

On the other hand, the mother country asks no favors from the colonies. No discriminating tariffs are levied as against the rivals of England, but the supremacy of England in the colonial markets is due entirely to the association natural with the mother country, and to the fact that England can supply goods to better advantage. Wherever this is not the case, other countries may take the markets on equal terms. The only apparent exception to this principle among the British colonies is one, in Canada, not dwelt upon in this report where a reduction of twenty-five per cent. in the regular tariff rates is made upon imports from the mother country. Even this, however, may fairly be considered as of the nature of a reciprocity arrangement, inasmuch as other countries do not admit Canadian exports on the same liberal terms as does the mother country.

The mother country holds generally the final power of determining what the system in each colony is to be; but except in cases of emergency the colony is generally allowed, through its officers, a majority of whom in the smaller colonies are appointed by the home government, to determine its own system.

In every case the system is one adapted to local needs and conditions and no attempt is made to keep uniform the systems in the different colonies.

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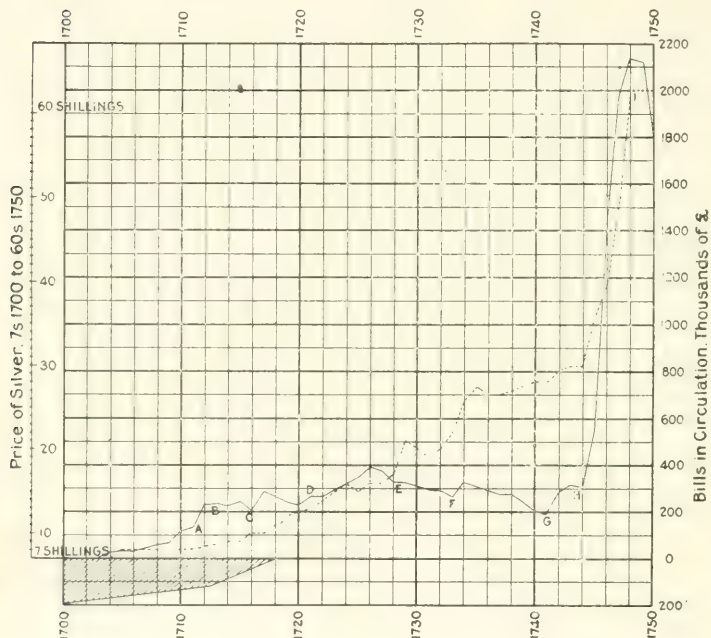
The Statesman's Year-book gives excellent brief bibliographies, and there are numerous review and magazine articles on these colonies besides many early books not mentioned.







DIAGRAM SHOWING DISAPPEARANCE OF SILVER, INCREASE  
OF PROVINCIAL CURRENCY AND CORRESPONDING  
MOVEMENT OF SILVER RATE, 1700-1750.



Volume of Currency

Price of Silver

Unit of scale of silver price one shilling.

Unit of scale of circulation £1,000.

The shaded block underlying the currency represents the silver circulation  
in New England.

The years are indicated along the top and bottom of the diagram.

A. Quebec expedition, £50,000 loan.

B. £50,000 loan.

C. £100,000 loan.

D. £50,000 loan.

E. £100,000 loan.

F. Merchants' notes.

G. W. I. expedition, Land Bank.

H. Cape Breton expedition.

I. Price of silver checked by proposed reimbursement.

PUBLICATIONS  
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CURRENCY AND BANKING  
  
IN THE PROVINCE OF THE  
  
MASSACHUSETTS-BAY.

BY  
ANDREW McFARLAND DAVIS  
CAMBRIDGE, MASS.

---

PART I—CURRENCY

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DECEMBER, 1900

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## PREFACE.

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It was not my intention to publish a history of the currency of the Province of the Massachusetts Bay when I originally entered upon the investigations which have furnished the material for this volume. The subject outside the economic field is not in itself attractive. The redundant phraseology of the statutes which stand as sources of authority for details as to emissions and retirements is not only obscure and difficult of comprehension, but it is actually repellent. The pamphlet literature which bears upon the subject is not only scattered in different libraries but is of widely variant value as authority, some of the authors being utterly incompetent for the task which they had set themselves while others show to the reader who may have the patience to peruse their productions that they were entitled to respectful consideration. To understand the statutes and to estimate the value of the various pamphlets requires that one should have knowledge which can only be obtained through study of the very field which is to be explored. The circumstances under which I have been led on step by step in this work were as follows.

In the preparation of Chapter I, Canada and Louisiana, Volume V, Winsor's Narrative and Critical History of America, the touch of Law's Mississippi Company with the affairs of Louisiana compelled me to examine the various published accounts of that Company. The result of that examination, which I incor-

porated in my chapter, led the late Professor Charles F. Dunbar, of Harvard University, to propose that I should prepare an article on Law's System for the pages of the *Quarterly Journal of Economics*. This was in due time published and Professor Dunbar then asked me if I had ever run across any papers in the Massachusetts Archives bearing on the Land Bank of 1740. He had seen a description of the experiment in Hobart's History of Abington and he thought it must be worthy of study. The brief and inadequate accounts of this affair given in our general histories had made no impression on my memory, but when, acting upon Professor Dunbar's suggestion, I examined the Archives, I found abundant material there for a detailed history of this Land Bank. The results of this study were communicated to the Colonial Society of Massachusetts and to the American Antiquarian Society in papers which were published in their proceedings.

The investigation of the Land Bank experiment did not of necessity carry with it the study of the different forms of provincial currency then in circulation, but it did involve the careful examination of numerous statutes and the perusal of many contemporary pamphlets in which questions of currency as well as banking were discussed. The familiarity with the legal and pamphlet literature of the period which resulted from this research tended greatly to reduce the formidable character of the obstacles to an investigation of the history of the currency emissions; of the meaning of the various forms of bills; of the causes for their adoption; of the fluctuations of the currency, and of the grave difficulties which arose therefrom in the adjustment of debts. More than that, with increased knowledge of the subject came a positive interest in it



and a desire to develop it not only upon the historical but also upon the economic side.

From time to time special papers touching upon these points were published. Passing by those which were especially devoted to Banking, it may be noted that use has been made in this part of the work of the following: Currency Discussion in Massachusetts in the Eighteenth Century, *Quarterly Journal of Economics*, Vol. II, October 1896, and January, 1897; Certain Considerations Concerning the Coinage of the Colony and the Public Bills of Credit of the Province of the Massachusetts Bay, Proceedings of the American Academy of Arts and Sciences, Vol. 33, No. 12, February, 1898; The Massachusetts Bay Currency, 1690-1750; Proceedings of the American Antiquarian Society, October 21, 1898; A Search for a Pamphlet by Governor Hutchinson, Proceedings of the Massachusetts Historical Society, February, 1899; The Currency and Provincial Politics, Publications of the Colonial Society of Massachusetts, Vol. 6; Occult Methods of Protecting the Currency, Sewall's Mnemonic Lines and their Interpretation, Proceedings of the Massachusetts Historical Society, December, 1899; Previous Legislation a Corrective for Colonial Troubles, Publications of the Colonial Society of Massachusetts, Vol. 6, and Andros's Proclamation Money, Proceedings of the American Antiquarian Society, April 25, 1900. While the publications of these societies are not copyrighted, the courtesy which permits such free use of them as is made in this volume calls for some acknowledgment.

I have already stated my indebtedness to my friend, the late Professor Dunbar, for calling my attention to the opportunity afforded by the then unworked field of the Land Bank. It is due to his memory to say that

without his advice and encouragement and except for the deep interest that he took in the progress of my work I should have hesitated to follow it to its natural conclusion. Stimulated by his approval and acting under the advice of too many other friends to mention them by name, I have ventured to submit these pages to the public. So much of the work as is devoted to the Massachusetts coinage, would never have been published, if I had first seen Professor Sumner's two articles *The Spanish Dollar and the Colonial Shilling*, and *The Coin Shilling of the Massachusetts Bay*. At any rate it would not have been submitted in the form in which it now appears. Inasmuch, however, as it had already been published in substantially the same form as that in which it appears herein, I have thought that on the whole it was better to incorporate it in this work. Its value is greatly diminished by the fact that the field had been so completely covered by a recognized expert, but it affords opportunity to point out the contemporary authorities upon the subject.

The historical narrative relating to the currency emissions, and all that portion of the work which treats of the currency conflict, are based upon the legislative records of the Council and the House of Representatives. The former are in manuscript in the Archives, where they are denominated *Massachusetts Court Records*. The latter exist only in published form, and these date only from 1715. The early House Journals are rare. We are, however, often compelled to turn to them for a complete demonstration of the attitude of the House in the various controversies which are referred to in this volume. As one would naturally expect, it will be found that the records of the Council set forth at greater length the feelings of that body upon many of the con-

troverted points, than the corresponding account in the House Journals. That portion of the narrative specially dependent upon these records, is but sparsely annotated. When we reach the subject of adjustment of debts, we find that the various acts have been published in the Acts and Resolves of the Province of Massachusetts Bay, and many references to the subject will also be found in the notes. As a rule, references to these volumes are given in preference to references to the Archives, when the matter can be found there, either in text or notes.

The proof reading of these pages has been accomplished under varying degrees of pressure. The leisurely perusal of the clean pages in their final position has revealed a few typographical errors and a few errors of minor consequence. There is, however, one which is important. When the Assembly emitted the small currency in 1750, they set aside for its redemption as many pounds in milled dollars as they emitted pounds in currency. By the omission of the words "pounds in," page 244, in the sentence describing the fund, the amount set aside for redemption purposes was reduced from pounds to dollars. The change of the name of Robert Hale, to Robert Hall, page 232, note, removes from this well known Land Bank Director the credit to which he is justly entitled, of having come to Hutchinson's aid at a critical time.

The attempt has been made in this text to furnish a copy of every form of note or bill used or proposed during the period under consideration. When the new tenor bills came in the indent was dropped. Mr. Worthington C. Ford has called my attention to a committee report in the House Journals, during the early

stages of the development of this new form of bill, which proposed a form of bill beginning with the old phrase "This indented bill," etc., etc. It is a matter of regret that this information did not reach me in time to secure mention of this form in the text.

A. McF. D.

10 Appleton St., Cambridge.

May 1, 1901.

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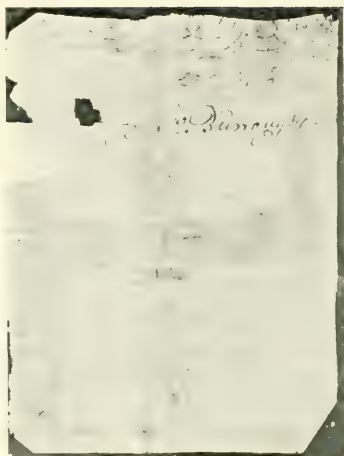
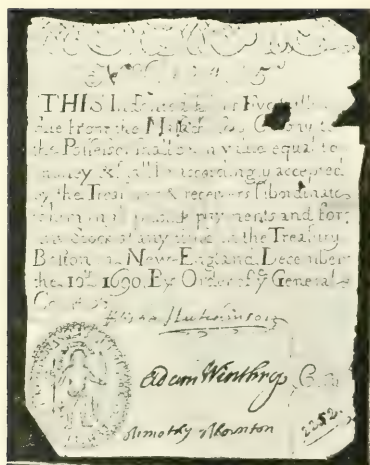
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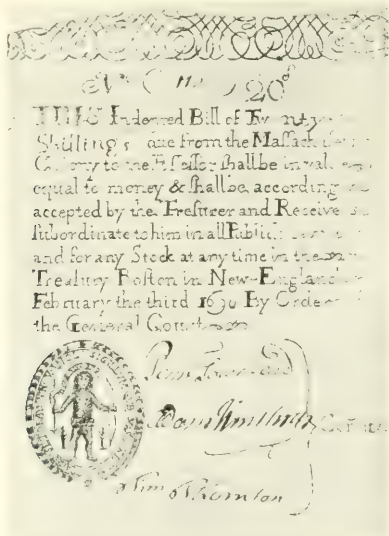




# PLATE I.



5s. bill, Colony currency. Photographed by permission of the Essex Institute. Size, 4 in. x 5½ in. The indorsement shows that it was used in the days of the Province, under the provisions of the Act of July 5, 1692.



2s. 6d. bill, Colony currency, altered to 20s. Photographed by permission of the Massachusetts Historical Society. Size, 4 in. x 5½ in.



## CHAPTER I.

### THE COLONY BILLS. THE PROVINCE BILLS.

We are so thoroughly accustomed to the use of paper money that it is difficult to realize that a little over two centuries ago, when the Assembly of the Colony of the Massachusetts Bay first authorized the emission of bills of public credit, they were securing for themselves the right to claim that they were practically the pioneers in a great economic experiment. Writers upon the subject of money tell us that at that time China had already undergone a prolonged experience of the use of a representative paper currency, but in the condition of travel in the latter part of the seventeenth century no experiment in the Orient could have made any impression upon the financiers of Europe, still less was it possible that it could have had any effect in New England. Instances are alleged of the temporary use of paper money in Leyden in the sixteenth century, and in Cyprus at a still earlier date. Concerning these little is known now, perhaps nothing was known in England in 1700. In measuring the value of precedents which may have influenced our ancestors in their belief that they could sustain a paper currency based upon public credit, we ought only to consider such as could have been brought to their knowledge, and in estimating the value of any precedent, its publicity must be considered. The situation in 1690 was practically as follows: The banks upon the continent, whose experience furnished the men of that day with such knowledge of banking as they had at

their command, were banks of deposit. The merchant who left with them the degraded coin then in circulation received in return therefor an equivalent "bank credit" expressed in terms of the standard coinage adopted by the bank. He adjusted his settlements with his creditors by means of transfers of account, and these transfers were supposed to be made at the bank. The theoretical advantage of the bank credit to the merchant was to be found in the establishment of a value for his available funds in terms of standard coins, and in the avoidance of the expenses attendant upon the transportation of specie. Towards the end of the seventeenth century the claim was advanced that these bank deposits were also advantageous to the community because the use of money was thereby multiplied. This argument was based upon the beneficial results which were to be traced to the continental banks, the Bank of Amsterdam being the example most familiar to English writers. In the light of later developments we know that the theory that the deposits of that bank were kept intact was not well founded. The managers of the bank, relying upon the permanence of their custody, made use of the deposits, and it was through this use that the power of the deposited coin was increased. Contemporary writers on the subject of banking do not, as a rule, seem to have appreciated this fact. They looked for an increase of the power of money through its accumulation in the vaults of a bank, without seeking to explain why this should be. One author in the latter part of the seventeenth century plainly saw the weakness of this position, and in his argument in favor of a bank of deposit in London he pointed out that under proper guarantees the deposits thus gathered into the custody of a

bank might be utilized by the managers of the institution.<sup>1</sup>

The proposition to establish a bank of deposit did not carry with it any idea of making it a bank of issue nor of utilizing the deposits in any way. It is clear, however, that at an early date the custom of transferring "accounts in bank" by means of bills of exchange, money orders or checks, thus obviating the necessity of personal attendance at the counter of the bank, must have found its way into practice. This would of itself have furnished a form for the circulation of the bank credit in a limited way among merchants, which would have tended to familiarize them with the use of paper as a representative of money. The growth of practices of this sort is hinted at in the propositions for banks submitted in England during the seventeenth century and in the customs of the goldsmiths in London, where these tradesmen acted as the "cashkeepers" for the public. The fact that the London goldsmiths then furnished their customers with their individual notes, and that these notes had a certain field in which they were current, seems to be well established. It may be doubted, however, whether the founders of the Bank of England, in 1694, had before them any other well defined precedents upon which to base an opinion as to the probable success of paper-money, than were to be found in the ordinary mercantile bills of exchange, the goldsmiths' notes, and the bills of public credit of the Colony of the Massachusetts Bay. It is true that in addition to the cases already stated in which paper-money is said to

<sup>1</sup> Sir William Petty's Political arithmetick which was written in 1676, surreptitiously published in 1683, under the title of England's guide to industry [anon], and issued with the author's name in 1690, seven years after his death. See Economic writings of Petty vol. I, p. 235-236.

have been used prior to this time, the claim has been advanced that an experiment in that line was made in Sweden in the middle of the seventeenth century ; that at some period of its existence the Bank of Venice emitted bills, and that the Bank of Genoa had also done the same thing. So far as we can judge concerning the alleged paper-money of the Italian banks, it would seem as if the references to the supposed emissions of these banks must have been intended to apply to the paper of their customers, based upon their bank credits. If, however, it should prove that either of these claims is authentic, and if any knowledge thereof could be brought home to the founders of the Bank of England, the fact would still remain that the event made so little impression upon the history of the times that it would have to be classed among unsuccessful experiments which were ephemeral in their nature. The one positive success in furnishing a people with paper money in the way of a circulating medium, knowledge of which was plainly accessible to English financiers, was to be found in the experience of the colony of the Massachusetts Bay. It is of interest, therefore, to trace the sources of knowledge or experience upon which the legislators of that colony could have founded an experiment so novel in its character.

The social and economic conditions under which it was made were widely different from those existing at that time in England. There were many in the colony still living, who remembered when all trade was conducted by barter, when corn was used for money, and when compulsory resort was had to wampum for a medium for trade and to bullets as a substitute for copper coin. An unsuccessful military expedition which had been undertaken in the fullest confidence that the

enemy would furnish the means to meet its expenses, left the colony saddled with debts of great magnitude, to meet which there was but an empty treasury. The government then in existence was provisional and of doubtful legality. If it had been permanent in form and of recognized legality, it is possible that the difficulty might have been overcome by a temporary loan from the people, although the amount required was so disproportionate in size to the circulating medium of the colony as to render that solution doubtful as a possibility. If we seek for the basis upon which the legislators built their hopes that the experimental use of the public credit as a circulating medium might succeed, we shall find that there was a certain knowledge of the use of individual credit for such purposes and that there had been more or less discussion of its application as a remedy for a supposed scarcity of the circulating medium, the proposed supply to be furnished by banks of issue. In an address to the crown, the statement is made officially that one of the reasons for establishing a mint in 1652 was because "for some years paper bills passed for payment of debts, wch were very subject to be lost, rent or counterfeited & other inconveniences."<sup>1</sup> It does not appear from the foregoing whether these "paper bills" were emitted by the colony or were based upon the credit of individuals, but as there is no record of any action having been taken by the General Court of the colony under which such bills were authorized it may be assumed that they were not public bills. We know that at a later date private bills were, for several years made use of to some extent in Portsmouth and also in what the writer upon whom we rely for the information terms the

<sup>1</sup> Mass. Arch., vol. 106, no. 336.



"Western English Plantations."<sup>1</sup> From various sources we know that the thoughts of the colonists were turned during this period towards the establishment of a bank which should furnish a currency based upon mortgages of land and pledges of merchandize, and one writer goes so far as to say that, in 1681 this plan was tested experimentally and bills were actually emitted. The pamphlet issued by this author<sup>2</sup> was published in 1682 and contains a proposal for a "fund of land" "in the nature of a money bank or merchandize lumber<sup>3</sup> to pass credit upon, by book entries; or bills of exchange, for great payments and change-bills for running cash." It is also set forth therein that "credit pass'd in the Fund, by book, and Bills, (as afore) will fully supply the defect of money." The author states that his attention had been called to the subject in 1649,<sup>4</sup> and he gives an account of the several attempts which were made to test the plan, winding up with a statement that an actual experiment was made to pass forth bills for some months, for he says "in 6 moneths a considerable number espoused the designe." Notwithstanding the positive assertion that bills were actually emitted in 1681 and that considerable numbers "espoused the designe" it must be inferred from the pamphlet itself that the experiment was but indifferently successful, for in submitting his plan for a bank to the public he states that it had never been tried.<sup>5</sup>

<sup>1</sup> Some considerations of the bills of credit now passing in New England. Boston, 1691.

<sup>2</sup> Severals relating to the fund, printed for divers reasons as may appear. [1682.]

<sup>3</sup> Lombard—from Lombard street, London.

<sup>4</sup> By William Potter, the author of *The key of wealth, and The tradesman's jewell*.

<sup>5</sup> The subject under consideration was discussed by J. Hammond

In 1686, an attempt was made to establish a bank in Boston which should issue, for circulation, bills the security for which was to be based upon pledges of personal property and mortgages of real estate.<sup>1</sup> The president of the council favored the project and several members of the council were interested in it. A printing press was bought, paper was purchased, plates were prepared and bills were actually struck off, but for some reason the experiment was at this stage abandoned.

Brief as was the career of this attempt to establish a bank of issue it must have attracted attention in local financial circles. The scheme was based upon a plan which we know to have been published two years at least before the colony emitted its currency, and, if we may accept contemporary testimony, the publication was in print two years before the projected bank of 1686 was organized.<sup>2</sup>

It may be inferred that the possibility of furnishing a representative paper substitute for the foreign coins which constituted the circulating medium in New England was a question which attracted much attention at

Trumbull in the Council Report of the Amer. Ant. Soc., Oct., 1884. This report was afterwards separately published under title of *First essays at banking and the first paper money in New England*.

<sup>1</sup> The proposal for a bank was submitted to the Council, September 27, 1686. *Proc. Mass. Hist. Soc.*, November, 1899, p. 272. Order of Council passed Nov. 9, 1686. *Ibid.*, p. 277.

<sup>2</sup> This pamphlet was reprinted in Boston in 1714. The title of the reprint is: "A model for erecting a bank of credit, with a discourse in explanation thereof, adapted to the use of any trading country where there is a scarcity of moneys; more especially for His Majesties plantations in America. London, printed in the year 1688. Reprinted at Boston in New England in the year 1714." The 1688 edition is in some of our libraries, but Hutchinson says that the pamphlet was issued in 1684, *History of Massachusetts*, (ed. of 1795), vol. 2, p. 188, and the author of *A brief account of the rise, progress and present state of the paper currency of New England, etc., etc.*, Boston, 1749, p. 5, corroborates this.

this period. It is however evident that when, in 1690, the assembly of the colony of the Massachusetts Bay proceeded to pay their debts with certificates which were emitted in such form that they could serve as a currency for the colony, they had but little knowledge upon which they could build an opinion as to whether paper money could be made to pass current among the people of the colony. By 1694, when the Bank of England was established, the success of the experiment was practically assured, and it may be that the example of the colony of the Massachusetts Bay had its influence upon the founders of the Bank of England.

The emission of the colony bills of public credit was inaugurated under the provisional government which held the reins after the downfall of Andros. The occasion for this step was the collapse of the expedition which set forth in the fall of 1690 under Sir William Phips with the expectation of capturing Quebec. Hutchinson says: "The government was utterly unprepared for the return of the forces. They seem to have presumed, not only upon success, but upon the enemy's treasure to bear the charge of the expedition. The soldiers were upon the point of mutiny for want of their wages. It was utterly impracticable to raise, in a few days such a sum of money as would be necessary."<sup>1</sup> Sewall says the bills of credit then issued were "not made for want of money, but for want of money in the treasury."<sup>2</sup>

I have already said that under other conditions a loan might have been effected and the crisis thus tided over. It was indeed the opinion of the General Court in November, 1690, before the members were brought to a

<sup>1</sup> History Massachusetts (ed. of 1795), vol. 1, p. 356.

<sup>2</sup> Sewall's Diary, vol. 2, Coll. Mass. Hist. Soc., 5th series, vol. 6, p. 366.

realizing sense of the full measure of their responsibilities, that a temporary loan adequate for the emergency, could be effected by a pledge of a part of the taxes for the year, combined with the customs dues, and a promise that the expected plunder from Quebec should be applied for the redemption of the loan. A committee was actually appointed to carry out this scheme, but the confidence in the success of the expedition, which led the General Court to pledge the anticipated plunder was apparently not shared by the capitalists of Boston, and the loan, so far as appears, was not negotiated. The time within which this could have been accomplished was but brief, for on the 19th of November Phips arrived at Boston, bearing the intelligence of his disastrous failure. The language used in the vote of the court defining the duties of this committee is not without value in its disclosure of the temper of the community at the time of its passage. It was as follows :

Major Elisha Hutchinson, Captain Samuel Sewall, Mr Peter Sergeant, Captain Penn Townshend, Captain Samuel Hayman, Mr James Taylor, Mr Nathanael Oliver, Captain Andrew Belcher, Captain Samuel Legg, and Mr John Clarke are desired forthwith to use their endeavours to procure the sume of three or Four thousand pounds in money upon Loan for the present paying off the Seamen and Souldiers at their Return from Canada, and for other Emergencies, upon the publique Credit ; and this Court do hereby Engage half the publique Rates now agreed to be made & Levyed, and the Countrys part of all such Plunder as they shall recover from the Enemy at Canada &ra and bring home with them ; And all money<sup>s</sup> arising upon Impost, as Security to such Gentlemen who shall advance money on that Accompt until they be fully repaid. And the above named Gentlemen are appointed a Committee to receive the Country<sup>s</sup> part of plunder into their hands and make sale thereof to the most advantage, Rendering an Accompt of the produce of the same to the Gen<sup>l</sup> Court.

Novemb<sup>r</sup> 7th 1690 past in y<sup>e</sup> affirmative p<sup>r</sup> y<sup>e</sup> Deputies

John Clark Cler.

Consent<sup>d</sup> to by the Gov<sup>r</sup> and Assistants

Is<sup>a</sup> Addington Secry<sup>1</sup>

<sup>1</sup> Mass. Arch., vol. 36, no. 221.

The loan having become impossible through lack of plunder to pledge, and payment of the debts being even more urgent in consequence of the situation of affairs, some other method of meeting the depletion of the treasury referred to by Sewall had to be devised. The emission of bills in the form of certificates of indebtedness to the possessor on the part of the government was the solution of the question which was adopted. These bills were by their terms receivable at the treasury in payment of government dues. They were originally put forth in anticipation of taxes, and provision in the tax levy was made each year for calling them in promptly. A part only of these notes was destroyed on their return to the treasury. Those remaining in the treasurer's hands were made use of at a later date by the province as a currency, the connection of the provincial government with their emission being indicated by the endorsement of the treasurer of the province. The currency emitted in 1690 was generally spoken of as Colony or Old Charter bills.

The order of the General Court authorizing the original issue sets forth the motives which prompted the legislators to take this step. It was passed at a court sitting in Boston "by adjournment, December 10th, 1690," and is in the following language:

"Whereas (for the maintaining and defending of their Majesties interests against the hostile invasions of their French and Indian enemies who have begun and are combined in the prosecution of a Bloody war upon the English of their Majesties Colonys and plantations of New England) this Colony hath necessarily contracted sundry considerable debts, which this Court taking into consideration and being desirous to approve themselves Just and honest in the discharge of the same and that every person who hath credit with the country for the use of any of his estate, disbursements, or service done for the Public, may in convenient time receive due and equal satisfaction; withal considering the present poverty and calamities of the country And (through scarcity of money) the want of an adequate measure of



Commerce, whereby they are disadvantaged in making present payment as desired ; Yet being willing to settle and adjust the accounts of the said debts, and to make payment thereof, with what speed they can

It is ordered by this Court that Major Elisha Hutchinson, Major John Phillips, Captain Penn Townsend, Mr Adam Winthrop and Mr Timothy Thornton or any three of them, be and are hereby appointed and impowered a Committee for the granting forth of Printed Bills in such forms as is agreed upon by this Court (none under five shillings nor exceeding five pounds in one bill) unto all such persons who shall desire the same, to whom the Colony is indebted, for such sum or sums of money as they shall have debentures from the Committee, or Committees that are or shall be appointed to give out the same, Every of which Bills according to the sums therein expressed shall be of equal Value with money, and the Treasurer and all the Receivers subordinate to him shall accept, and receive the same accordingly in all Publick Payments ; No more of Said Bills, to be Printed or granted forth than for the Sum of Seven thousand Pounds ; And the Colony is hereby engaged to Satisfy the Value of Said Bills as the Treasury shall be enabled, And any person having of Said Bills in his Hands, may Accordingly return the same to the Treasurer, and shall receive the full Sum thereof in Money, or other Public Stock at the Money Price as Stated for that time And if any of said Bills be worn in any Persons hands, so as they desire to renew them, returning them to the Committee, they shall have new ones of the same numbers and sums given out.

The forme of the Bill agreed upon

N<sup>o</sup>

20<sup>s</sup>

Indentment.

N<sup>o</sup>

( )

20<sup>s</sup>

This Indented Bill of Twenty shillings due from the Massachusetts Colony to the Possessor shall be in Value equal to Money and shall be Accordingly Accepted by the Treasurer, and Receivers subordinate to him in all Publick Payments, and for any stock at any time in the Treasury Boston in New England Decem<sup>r</sup> 10th 1690.

By Order of the General Court

( Locus )  
( Sigilli )

} Committee<sup>1</sup>

<sup>1</sup> Mass. Court Rec., vol. 6, pp. 170, 171, under date of Dec. 10. These volumes are referred to by Abner C. Goodell in his edition of the Province Laws as " Council Records." It will probably produce less confusion to refer to them by the title under which they are classified at the State House. A form of the bill, bearing an endorsement that

The seven thousand pounds limit was removed in February, 1690-91. The cause for the removal is set forth in the following order which was passed at that time :

"Whereas the Committee appointed for the granting out of Bills of Credit (in the form agreed upon by this Court at their session in December last past) for the Publick debts, necessarily contracted by this Colony in the maintenance and defence of their Majesties Interests, against the Hostile Invasions of their French and Indian Enemies, were Limited to a Certain Sume, which is found to be far short of what is absolutely necessary.

It's therefore Ordered that the said Committee do in like manner Proceed to the Printing and giving forth of said Bills to all Persons desiring the same who shall Produce and deliver unto them, a debenture or debentures from the Committee or Committees that are or shall be thereunto appointed, or shall Produce an Order of this Court, or of the Governour and Councill for the full sume expressed in such debenture, or Order, every of wch Bills of the sume of Twenty Shillings shall be accepted in all Publick Payments by the Treasurer and all Constables or other receivers subordinate to the Treasurer in Lieu of Money, at Twenty-one shillings and so proportionately for all Bills of greater or Lesser Sums (no one Bill to be for a Less sum than two shillings, nor exceeding the sum of ten pounds) And the Select Men of each Town may send the Debentures Of the several Persons in their Towns to the said Committee by some meet Person who shall receive bills for the same to be delivered to the said Selectmen, and by them given out to the Persons to whom they are due. And the Colony hereby stands engaged to satisfy the Value of the said Bills as the Treasury shall be enabled ; And any Person having of Said Bills in his Hands returning the same to the Treasurer shall accordingly receive the Just Sum exprest in said Bills in money or other Public Stock at the Money Price as Stated at that time."<sup>1</sup>

it was approved Dec. 23, 1690, is to be found in Mass. Arch., vol. 36, no. 260. No. 261, in the same volume, is a copy of the act of emission, on which there is an endorsement that it was passed by the Governor and Assistants, Dec. 23, and by the Deputies, Dec. 24. It appears by this draft that the committee contemplated that enough bills should be emitted to settle the debts of the Colony, but the act was amended while under consideration and a limit of £7,000 set. The text of the act is to be found in Second part of south sea stock, pp. 3 and 4.

<sup>1</sup>Mass. Arch., vol. 36, no. 383. Given also in Second part of South Sea stock," etc., p. 5. The bills bore date either December 10th or February 3d. There is one in the Essex Institute dated

On the 21st of May, 1691, an order was passed setting a limit of £40,000 to the emission. It was in the following language :

“ Ordered That the Bills of Publick Credit already given, and to be given out for Adjusting Country debts shall not exceed the Sum of Forty thousand Pounds which is supposed will amount to the full of what the Country is indebted and will probably be Called in again by the rates already granted, And that M<sup>r</sup> John Foster, Capt Joseph Lynde and Capt Samuel Ruggles be, and are hereby appointed a Committee to call in and take into safe custody the Plates which the Bills were printed off with And to examine what Bills are still resting in the Committees hands not given forth, Also to examine what Sum in the Said Bills are already drawn into the Treasury and to direct that the Country have credit in the Treasurers Books for that Sum and so to dispose of, and secure those Bills as there may be no Danger of their Coming forth again into any private hands.<sup>1</sup>

The following is a contemporary description of the government bills, of the basis upon which they circulated, and of the manner in which they were retired : “ What is the use of *Coynded Silver* ? but to furnish a man with *Credit*, that he may obtain from his Neighbours those Commodities, which he hath occasion for ? The Country in *General Court*, have *Recognized* or *Acknowledged*, a Debt of so many thousand pounds unto them that have been the servants of the Publick. The *Credit* conveyed by the Bills now *Circulates* from one hand to another as mens dealings are, until the *Publick Taxes* call for it. It is then brought in to the Treasurers hands, from which it goes not out again.

December 10th. The Massachusetts Historical Society has one dated February 3d. The latter purports to be for 20s, but it appears from a certificate of one Jeremiah Allen, given in 1703, that there were no 20s bills in the February Emission. It must be an altered bill, the original being for 2s 6d. See Acts and Res. Prov. Mass. Bay, vol. 8, p. 289.

<sup>1</sup> Mass. Court Rec., vol. 6, p. 185. Oct. 16, 1691, the committee reported that they had burned bills amounting to £10,119 9s. *Ibid.*, p. 201.

Now the *Conveniences* which the servants of the Publick, have had by them, have honestly paid the Countries Debts; and what could *coyned Silver* have done more?"<sup>1</sup> The statement that "the note goes not out again" was perhaps true in 1691, but it could not have been applied after 1692, except with the qualifying phrase, unless by authority of the General Court. The question whether the province, as a matter of economy used the same colony notes over and over again was of no consequence, provided the use thus made was in accordance with the authorization of the General Court.

If we assume that the entire £40,000 authorized May 21, 1691, were issued,<sup>2</sup> there were put forth of these Old Charter bills, in the various issues and re-issues of the colony and province, £82,000, independent of bills

<sup>1</sup>Some additional considerations addressed unto the worshipful Elisha Hutchinson Esq. by a gentleman that had not seen the foregoing letter. Boston, 1691. "The foregoing letter" referred to in this title, was a tract entitled *Some considerations on the bills of credit now passing in New England*, addressed unto the worshipful John Philips Esq. etc. [Boston, 1691.] The two pamphlets were published together and are fully described by the late J. Hammond Trumbull in the Council Report of the Amer. Ant. Soc., October, 1884. In this report there is also a full description of a rare tract entitled *Severals relating to the fund*, printed for divers reasons as may appear, [1682], in which attempts to found banks of emission in 1671 and 1681 are described.

<sup>2</sup>This would appear to have been actually done. A committee was appointed December 13, 1693, to inquire into and examine how the forty thousand pounds in Bills of Credit emitted by the late Colony were disposed of and paid out. Acts and Res. Prov. Mass. Bay, vol. 7, p. 36. "Anno 1692, when the old charter expired, a tax of 10s poll and a rate of 30s upon every £100 of principal estate was computed to raise £30,000, value equal to proclamation money." A summary, historical and political, etc., etc., by William Douglass, M. D. Boston, 1755, vol. 1, p. 434. Shirley said in a speech Nov. 29, 1744, that this tax amounted to £40,000, silver being then 6s 10d per oz. See House Jour. Mass. Bay. Douglass was correct; the tax was for £30,000.

borrowed by the government,<sup>1</sup> which probably had the same effect as emissions.

Provision was made in each case for a tax which should furnish the means for the prompt retirement of the bills emitted. When the government first offered these bills to creditors in place of coin, they were received with distrust. It was while this distrust prevailed that the authors of the pamphlet from which I have quoted appealed to the public to maintain them, pointing out, as has already been seen, that they were better than notes based upon individual credits which had been current in sections of the country, and asking wherein was the superiority of silver coin in the performance of the various functions assigned to the notes. Cotton Mather sets forth the deleterious effects of this distrust and shows how valuable the bills might have been to the government if cordially received. He then asserts that their circulating value was at first impaired from twenty to thirty per cent.

“Had the government been so settled, that there had not been any doubt of any obstruction, or diversion to be given to the prosecution of the tax-act, by a total change of affairs, then depending at White-Hall, 'tis very certain that the bills of credit had been better than so much ready silver; yea, the invention had been of more use to the New Englanders, than if all their copper mines had been opened, or the mountains of Peru had been removed into these parts of America. The Massa-

<sup>1</sup>The province at first evidently thought it could get along without emitting the colony bills. It resorted to the expedient of borrowing from individuals. Traces of the steps taken are to be found in the legislation. See Acts and Res. Prov. Mass. Bay, vol. 1, p. 27; preamble, Ch. 2, Laws 1692-93, *Ibid.*, p. 141; preamble to § 6, Ch. 8, Laws 1693-94. Report to Lords of Committee of Privy Council, Feb. 9, 1736-37. Mass. Arch., vol. 20, no. 277.



chusetts bills of credit had been like bank bills of Venice, where, though there were not, perhaps, a ducat of money in the bank, yet the bills were esteemed more than twenty per cent. better than money among the body of the people, in all their dealings. But many people being afraid that the government would in half a year be so overturned as to convert their bills of credit altogether into *waste paper*, the *credit* of them was thereby very much impaired; and they who first received them could make them yield little more than fourteen or sixteen shillings in the pound; . . .”<sup>1</sup> An officer who accompanied the expedition wrote in reference to these bills as follows: “But they will not pass in trade between man and man, nor can these poor soldiers and seamen get anything for them to above half their value, they being only used to pay rates with.”<sup>2</sup>

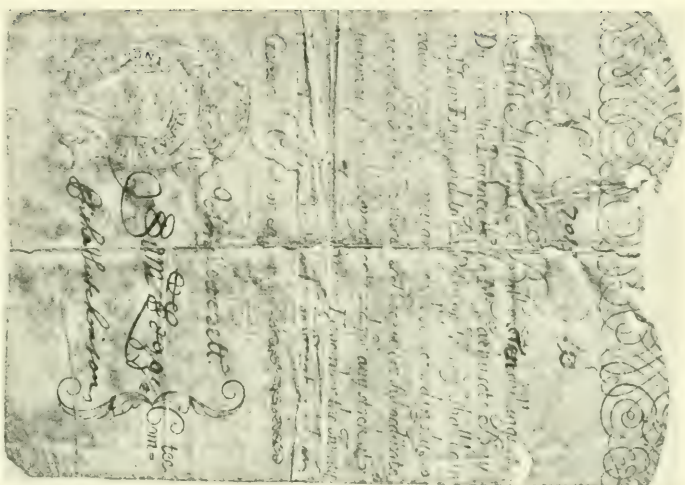
Another writer intimates that many of those who received the bills hastened to get rid of them at such a disadvantage that their value was reduced to twelve or thirteen shillings on the pound. What a great loss it was,” he says, “to those poor men who ventured their lives in the expedition! They were forced to buy such goods as its likely they had hardly any need of, to get rid of their new coyn’d money. And what they bought was so to their disadvantage that they put off their bills at twelve or thirteen shillings on the pound.”<sup>3</sup> If it be true that the market value of the bills was affected by

<sup>1</sup> Mather’s *Magnalia*,—Hartford Reprint, vol. 1, p. 191.

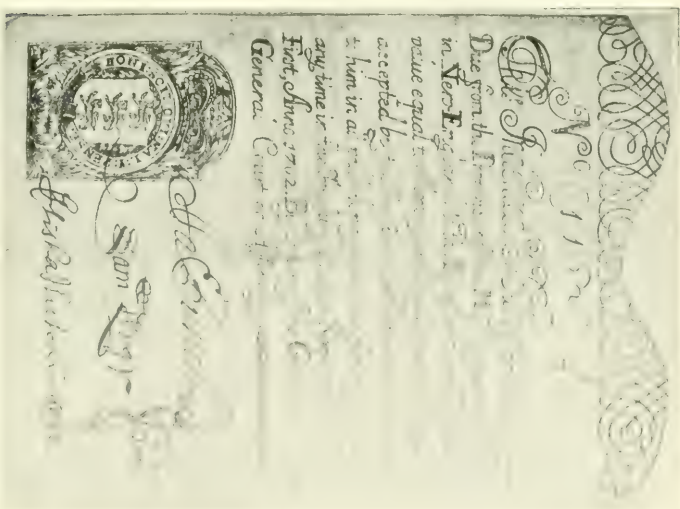
<sup>2</sup> An account of the late action of the New-Englanders, under the command of Sir William Phips against the French at Canada, sent in a letter from Major Thomas Savage at Boston in New England, (who was present at the action) to his brother Mr. Perez Savage in London, etc.. etc., London, 1691. Extracts from this are printed in Coll. Mass. Hist. Soc., 2d series, vol. 3, p. 260.

<sup>3</sup> Second part of South Sea stock etc., p. 6.

# PLATE 2.



5a. bill. First series of old tenor, 1702, altered to 100. Photographed by permission of the Massachusetts Historical Society. Size, 4 in. x 5 1/2 in.



5a. bill. First series of old tenor, 1702, altered to 100. Original in the Chamberlain collection, Boston Public Library. Photographed by permission of the late Hon. Melven Chamberlain.



the causes at which the writer seems to hint, it will be seen that this was only temporary, as the bills soon became current at par.

There was, however, an element of uncertainty as to the approval of the acts of the provisional government by their successors which must, as Cotton Mather says, at first have affected their credit, and it may also be doubted whether any weak government could have floated £40,000 in bills of credit, and precipitated them on the community in the manner in which the first of these notes were issued, without raising some doubts as to their value in the minds of those who were compelled to receive them. It may be assumed that the hesitation on the part of the public to accept the bills as a substitute for coin influenced the General Court in its decision to attach to the act of emission of February 3, 1690-91, the clause pledging the government to receive them in payment of dues at a premium of five per cent., a precedent which fastened itself as a custom upon the annual legislation in this regard, from the consequences of which the court was unable to take steps to free itself until 1720. Mather is authority for the statement that the Boston merchants also came to the rescue, offering to take the bills in payment for goods at reasonable rates, and that Gen. Phips "cheerfully laid down a considerable quantity of ready money for an equivalent parcel of them."<sup>1</sup>

After the organization of the province under the charter, one of the first steps taken was to pass an act to the effect that the bills of the late colony should "pass current within this province in all payments equivalent to money". In public payments they were to be received with an advance of five per cent., follow-

<sup>1</sup> Mather's *Magnalia*, Hartford reprint, vol. I, p. 192.

ing in this regard the precedent set by the act of February 3, 1690-91, heretofore quoted. Possessors of bills who would loan them to the government were to be secured by public taxes and were to be reimbursed out of the taxes within twelve months. This act is divided into two sections. The first makes all bills current, while the second confers this function only upon such of the bills as should be loaned to the government and imposes restraints upon the currency of all others. In December of the same year (1692), the disability imposed upon a part of the bills by the limitation in the second section of the act was removed.<sup>1</sup>

This trifling with the credit of the bills would seem to have justified the distrust which led to their depreciation. When, however, the complete recognition of the bills was effected by the new government and it was realized that no effort was being made to circulate more of them than was required to meet the immediate necessities of the situation, and further, that no attempt was made to postpone the period when they should be called in, they were accepted with confidence by the entire community. Public sentiment, also, came to the relief of the bills at this time. The town of Boston voted, May 12, 1702, that the province bills of credit should be accepted in payment of the town rates. At the town meeting held in Boston, January 18, 1702-3, the question was submitted "whether the new bills of credit, now to be used in public payments of the Province, shall be taken and accepted by the town treasurer in payments of the town rate at the advance and after the rate of five per cent. more than the value

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 1, p. 36, chap. 7, Laws 1692-93 and p. 95, chap. 41, Laws 1692-93.



therein expressed, and the same to pass out in payments at their expressed value without the said advance, according to the practice of the province treasury," and it passed in the affirmative.<sup>1</sup> Thus Boston actually assumed the five per cent. offered by the province as an inducement for the currency of the bills.

It may be inferred that the five per cent. premium at which the government received the notes greatly aided in producing this result. Whether this was so or not, so long as the government was conservative in the amounts which were issued and complied with the provisions which were made at the time of the several issues for the prompt retirement of the bills through taxation, they continued to circulate at par.

Meantime the emission of government bills, which originally contemplated only the furnishing of a temporary expedient had gone on from year to year, the amount annually issued being controlled by the necessities of the government. From motives of economy or policy, probably the latter, the province continued to use the colony bills and did not adopt a form of its own until 1702. It was apparently thought at one time that use might be made of the plates prepared for the colony bills to furnish a new emission, and an order was actually carried through the house of representatives for printing a new supply of bills, certain individuals being designated to sign them in behalf of the colony. The evident impropriety of such action led to the rejection of this order by the council,<sup>2</sup> and naturally led to the preparation of new plates, in which such changes of phraseology only were made

<sup>1</sup> Boston Town Records, vol. 8, pp. 24, 25.

<sup>2</sup> Mass. Arch., vol. 101, no. 209.

as were required by the new form of government.<sup>1</sup> Each bill was a certificate of indebtedness from the province and contained a provision that it should be accepted as so much money in public payments. Current expenses were met by the emission of bills and for the retirement of these bills future taxes were pledged; but as the emergencies of the government enlarged and the issues needed to meet them increased, the designated tax levies through which they could be returned to the treasury were postponed from year to year. By 1714, the income of the province from taxation was pledged, either wholly or in part, each year for six years, so that the issue then made was not to be called in by taxation until 1720. Inasmuch as some of the bills could not be received by the province for several years to come, it was natural that all should feel the effects of this discredit. This fact alone would have caused them to depreciate, even if the amount then in circulation had been properly proportioned to the needs of the community. The province bills and the bills of the neighboring governments in circulation in the province had by that time driven all

<sup>1</sup> Form of the Bill.

No. (            )      20<sup>th</sup>

This indented bill of twenty shillings due from the province of the Massachusetts Bay, in New England, to the possessor thereof, shall be in value equal to money; and shall be accordingly accepted by the treasurer and receivers subordinate to him, in all publick payments, and for any stock at any time in the treasury.

Boston, November the twenty-first, *anno* 1702. By order of the Great and General Court or Assembly

I. R. }  
E. H. } *Committee.*  
N. B. }

Acts and Res. Prov. Mass Bay, vol. 1, p. 503.

Felt makes the extraordinary statement that these bills were "to have interest paid on them of five per cent a year". This may be his way of referring to the fact that they were to be received in public payments at five per cent advance.

the gold and silver out of circulation and much of it out of the province. Silver and sterling exchange had consequently risen twenty and one half per cent. The depreciation and distrust of the bills were sufficient to impair their efficacy, and to cause a clamor for relief. The withdrawal of the silver from circulation made the country dependent upon the bills of public credit for a medium of trade, a large part of which was subject to to be called in each year. The retirement of a large proportion of the circulating medium through annual taxation, regularly produced a stringency from which the legislature sought relief through postponement of the retirements. If the bills were not called in according to the terms of the acts of issue, public faith in them would lessen, if called in there would be a disturbance of the currency. On these points there was a permanent disagreement between the governor and the representatives, discussions concerning which reveal themselves in 1715 and traces of which are frequently found after that date. "About this time", says a pamphleteer, writing about 1720, but referring to 1714, "the silver being pretty well drained from the country the bills outstanding on the former fund, continually going in to the treasury, in order to be sunk, it was contrived to alter the fund, and put off the payment for a longer time by lessening the tax about one half. This being not a sufficient stop it was brought to about a quarter part—and I think continues therabouts to this day."<sup>1</sup>

Another remedy was supposed to be more paper money, and pressure was brought to bear upon the General Court to secure the incorporation of a bank of issue, the circulation of whose bills would, it was thought,

<sup>1</sup> Second part of South Sea stock, p. 8.

contribute relief to the situation. The promoters reprinted a London pamphlet which, according to the date given upon the title-page of the reprint, was originally printed in 1688, in which a scheme for a bank of issue was set forth in great detail.<sup>1</sup> The preface of the reprint describes its contents as a scheme for a bank of credit founded upon land security. The enemies of the scheme succeeded in defeating it by emitting province bills to be loaned upon real security,<sup>2</sup> but the contest then provoked produced much ill will in the province.<sup>3</sup> A study of the pamphlet then issued discloses the fact that the scheme is similar to one submitted to the council in 1686 by John Blackwell.<sup>4</sup> This latter project was favorably received by the council and was carried forward even to the preparation of the bills for issue, but was not allowed to go beyond that point.

The projectors of the private bank in 1714, not only reprinted this pamphlet bearing date 1688, but they prepared a separate scheme of their own which they termed a projection for a bank of credit founded on land security.<sup>5</sup> The presentation of the petition of the projectors for incorporation produced considerable discussion,

<sup>1</sup> A Model, etc. For full title see note on p. 7.

<sup>2</sup> See post pp. 56, 57.

<sup>3</sup> Hutchinson's History of Massachusetts (ed. of 1795), vol. 2, p. 189.

<sup>4</sup> There can be no reasonable doubt that the promoters of the scheme of 1686 had before them, in some form or other, the project said to have been published in London in 1688. Hutchinson says the bank of 1714 was based upon a project published in London in 1684. There may have been two editions of the pamphlet. For details of these two projections, the reader is referred to a paper published in the *Quarterly Journal of Economics*, vol. 11, October, 1896, January, 1897. It is also fully developed in the second part of this work, which is devoted to banking.

<sup>5</sup> A projection for erecting a bank of credit in Boston, New England, founded on land security, printed in the year 1714.

in which the public to some extent participated, through the various pamphlets then published by the disputants.<sup>1</sup>

<sup>1</sup> Objections to the bank of credit lately projected at Boston. Being a letter upon that occasion to John Burril, Esq., speaker of the House of Representatives for the Province of the Massachusetts Bay in New England. Boston, 1714.

A Letter from one in Boston to his friends in the country, in answer to a letter directed to John Burril. . . . Printed in the year 1714.

A Vindication of the bank of credit projected in Boston from the aspersions of Paul Dudley, Esq., in a letter by him directed to John Burril, Esqr., late Speaker. . . . Printed in the year 1714.



## CHAPTER II.

### THE MASSACHUSETTS COINAGE, PROCLAMATION MONEY AND LAWFUL MONEY.<sup>1</sup>

At some stage in this discussion it is essential that the fact should be stated that the pounds, shillings and pence with which we are dealing do not have the same value as those which are called sterling. It is also important that something should be said concerning "proclamation money", a term to be met with in contemporary publications, and "lawful money," a phrase which is to be found in the supply bills, tax acts and in all legislation of a similar character in Massachusetts during this period. We have already reached a point where the understanding of these terms is imperative if one would comprehend contemporary literature, and in order that the subject may be completely covered it is perhaps desirable also to review the legislation in connection with the Massachusetts coinage. In seeking for the sterling value of these coins we naturally turn to the act establishing a mint but at the outset we meet with difficulties since the clauses of the act in which the values are defined are held to be irreconcilable.<sup>2</sup> According to the terms of that act the new coins were to be of the just alloy of new, sterling, English money; and for value to be two pence in a shilling of lesser value than

<sup>1</sup> A paper treating of these topics was read by me before the American Academy of Arts and Sciences, February, 1898. This chapter is based upon a part of that paper. See Proc. Amer. Acad., Arts and Sc. vol. 33, no. 12; February, 1898.

<sup>2</sup> Rev. Edward E. Hale, in a note to *The Diaries of John Hull*, Trans. and Coll. Amer. Ant. Soc., vol. 3, p. 284. The coin shilling, etc., by Prof. W. G. Sumner, *Yale Review*, Nov., 1898, p. 251.

the corresponding English Coins.<sup>1</sup> The shilling was to weigh three pennyweights Troy weight. The new coins were declared to be the current money of the colony, and no other money was admitted to this privilege except English. The effect of this limitation was to a certain extent compromised by the addition of the clause "except the receivers consent thereunto."<sup>2</sup> The actual value of the shilling was stated by Randolph in 1676 to be 9d 1f., 22.5 per cent. below the English shilling.<sup>3</sup> This value was adopted by the officers of the London mint in a report in January, 1684-85<sup>4</sup> and further appears to be acceptable to Prof. W. G. Sumner<sup>5</sup> who has made a study of this subject, and who states that the value of this shilling was 77.5 per cent. of the English shilling.

In circulation it appears to have been valued almost at once at ninepence, for in 1654 we find a statement which seems to mean that it was exported at that rate, and of course it would not have been withdrawn for that purpose at a loss.<sup>6</sup> In the statement of a Board of Commissioners in 1655,<sup>7</sup> and also among the complaints against Massachusetts in 1661, we find a recognition of

<sup>1</sup> A heliotype of the original draft of the act is given by Crosby. It shows that the phrase was originally written "three pence in a shilling of lesser value". The early coins of America and the laws governing their issue, etc., etc., by Sylvester S. Crosby, Boston, 1875. The heliotype faces page 34.

<sup>2</sup> Mass. Colonial Rec., vol. 3, pp. 261-262.

<sup>3</sup> Hutchinson's Collection of Papers, p. 480.

<sup>4</sup> Mass. Arch., vol. 100, no. 350.

<sup>5</sup> The coin shilling, *Yale Review*, Nov., 1898, p. 252.

<sup>6</sup> "Whereas the end of coining money within this commonwealth is for the more easy managing the trafique thereof within itself and not intended to make retournes to other Countreies which can not advance any profit to such as send it but rather a fowerth part losse. . . ." Mass. Arch., vol. 100, no. 46.

<sup>7</sup> Thirteenth report Hist. MSS. Com. appendix, part 2, p. 94.

the same value.<sup>1</sup> In the fall of 1686 there was a discussion in England about the re-establishment of the mint in Boston. In the reasons for the mint which were submitted, the shilling was stated to be worth "nine pence farthing", while in the answer to these reasons the value is given "at 9<sup>d</sup> for a shilling (w<sup>ch</sup> is about 25 per cent less than the money of England)".<sup>2</sup>

Douglass, who was fairly conversant with the history of the coinage, tells the story in the following words:

<sup>1</sup> "They [the Massachusetts Bay] have allowed the King's coin to be bought and melted down in Boston to be new coined there, by which means they gain three pence in every shilling, and lessen his Majesty's coin a full fourth." Cal. state papers, colonial Amer. and W. I., 1661-1668, p. 26. no. 78. 1661? "Sir Thomas Modyford to Sec. Sir Henry Bennett recommends for Jamaica that power be given for making a coin of the alloy and weight of that of New England, about 10d to the English shilling." *Ibid.*, p. 208, No. 739, 1664.

A captain who was in New England in 1673 reported to the Board of Trade in 1675, that "as soon as any English money is brought there it is melted down into their coin, making of each shilling fifteen pence, to keep it from being carried out." A narrative of the settlement of the Corporation of Massachusetts Bay and Capt. Wyborne's account of things in 1673, read at a meeting of the Committee for Trade and Plantations, December 1, 1675. Cal. state papers, colonial-Amer. and W. I., 1675-1676, p. 306, no. 721.

No. 405 in the same volume is from a small manuscript volume, one of Sir Joseph Williamson's note books. In 1675, "they melt down all English money brought in there into their own coin, making every shilling 15d to avoid carrying it out." See p. 156.

Aug. 9, 1681, Lord Culpepper reported to the Lords of Trade and Plantations concerning the New England coinage. He said the shilling "is not so fine in itself, and weighs but three penny weight against the English four. . . . If therefore it be no longer connived at, it is absolutely necessary that the English shilling be made current there by law or proclamation at sixteen pence, and so proportionally, and coinage made more moderate and speedy." Cal. state papers, Colonial Amer. and W. I., 1681-1685, p. 100, no. 200.

<sup>2</sup> Copies of these documents were obtained from the Colonial Entry Book, vol. 61, and were printed by Crosby in *The early coins of America*, pp. 91-94.

"At the first settling of the New England colonies their medium was sterling coin at sterling value and barter. When they got into trade a heavy piece of eight passed at 5s. A. 1652 they proceeded to coin silver shillings, sixpences and threepences at the rate of 6s to a heavy piece of eight."<sup>1</sup> Elsewhere Douglass gives the sterling value of the piece of eight at 4s 6d,<sup>2</sup> thus enabling us to deduce the value of the shilling, from his quotations, at ninepence.

In a note to the Diaries of John Hull<sup>3</sup> Rev. Edward E. Hale endeavors to explain the discrepancies in the valuation of the shilling by the allowance for seigniorage. Professor Sumner seems to attribute the trouble to an erroneous estimate of the London value of silver. "The English mint price for silver," he says,<sup>4</sup> "after 1601 was 5s. 2d per ounce, but it seems to have been believed in Massachusetts that it was still five shillings," and again<sup>5</sup> "The intention was to put the New England standard 25 per cent. below the English, supposing that the latter was 96 grains for a shilling."<sup>6</sup> In fact it was 92.9 grains,<sup>7</sup> so that a shilling of 72 grains was 77.5 per cent. of it." He also points out, however, that the mint charges were such that no person could have afforded to take silver to the mint for coinage unless the effective shilling in the market had been tenpence.<sup>8</sup>

<sup>1</sup> A discourse concerning the currencies of the British plantations in America, etc., p. 10. In addition to the above coins, silver two-pences were authorized in 1662. Mass. Colonial Rec., vol. 4, part 2, pp. 51, 52.

<sup>2</sup> *Ibid.*, p. 8.

<sup>3</sup> Trans. and Coll. Amer. Ant. Soc., vol. 3, p. 284.

<sup>4</sup> The Coin Shilling, *Yale Review*, Nov. 1898, p. 247.

<sup>5</sup> *Ibid.*, p. 252.

<sup>6</sup> *I. e.*, silver at 5s.

<sup>7</sup> *I. e.*, silver at 5s. 2d.

<sup>8</sup> The coin shilling, *Yale Review*, Nov., 1898, p. 253, note.

The opinion prevailed at that time that by rating silver coins above their value they would be retained within the limits of the jurisdiction where this enhanced value was recognized. It was probably because of sympathy with this notion that the General Court enacted, June 14, 1642, that the piece of eight should circulate at the value of 4s. 8d.,<sup>1</sup> and again on the 29th of September of the same year increased the nominal rate to 5s.<sup>2</sup> Douglass says that this coin not only passed within the limits of the colony at five shillings in early days, but was actually remitted to Great Britain on that basis.<sup>3</sup>

The mint was established in the hope of retaining a uniform metallic currency in the colony. It was soon evident however that it was only partially successful in the performance of the expected work, and in May 1654, in the abortive act, the preamble of which has been alluded to,<sup>4</sup> it was proposed by the magistrates to order and enact "that whatever person or persons be they strangers or Inhabitants that shall directly or Indirectly export out of this Jurisdiction any of the coine of this countrie after the publication hereof shall forfeite his or their whole estate one halfe to the countrie and the other halfe to such pson or psous as shall sue for the same." It was also provided in the proposed act that there should be a "Water Bayly or searcher" appointed "in every port-towne" who was to be empowered to "search any suspicious persons or vessells, chests,

<sup>1</sup> Mass. Colonial Rec., vol. 2, p. 20. This was before the mint had been established, and was, of course, a sterling value.

<sup>2</sup> Mass. Colonial Rec., vol. 2, p. 29. Also sterling, for the same reasons.

<sup>3</sup> A discourse, etc., p. 8. See also Observations occasioned by reading a pamphlet entitled A discourse concerning the currencies of the British plantations in America, p. 12.

<sup>4</sup> See ante, p. 25, note.



trunks or any other things." If he should discover any money and the county court should determine that it was about to be transported then it was to be forfeited one half to the officer and one half to the country. Similar powers of search were granted, in the case of persons travelling by land, to constables. For some reason the deputies rejected this act, but in August of the same year a law was passed against the exportation of New England coin, and searchers were appointed to examine outgoing baggage,<sup>1</sup> and if they should find any money they were ordered to seize the same. In May, 1669, a larger force of searchers was appointed and they were endowed with extraordinary powers. It was their duty to examine outgoing vessels which had weighed anchor with the intention of leaving our waters, and they were instructed to search the "pocket, cloake, bag, portmantle or any other thing belonging" to such persons as were on their journey out of the jurisdiction on horseback. They were to seize all money "of the coin of this jurisdiction" which they should find, and were invested with power to break open packages and examine personal effects.<sup>2</sup> Notwith-

<sup>1</sup> Mass. Colonial Rec., vol. 3, pp. 353, 354; vol. 4, part i, p. 198; Colonial Laws, 1660, Whitmore's ed., p. 182. This act was directed exclusively against the export of money coined within the jurisdiction of the colony. The order to the searchers that in case they should find any money they were to seize the same was misleading. The money which the searchers were to seize must have been only money of the Massachusetts coinage. The division was one-third and two-thirds.

<sup>2</sup> Mass. Colonial Rec., vol. 4, pt 2, p. 421; Colonial Laws, Whitmore's ed., 1660, p. 261 e; 1672, p. 118. The passage of this act was followed in June of the same year by a proposition to legalize the passage of pieces of eight, at 6s if of full weight and sterling alloy. A crude scheme was outlined for the submission of all pieces of eight then in circulation, to the inspection of some suitable person, who was to put a stamp or mark on such as were entitled to pass at this value. Unless the coins should be stamped, their circulation was not to be compulsory. The proposed law met with the disapproval of the magistrates. Mass. Arch., vol. 100, no. 136.

standing these arbitrary proceedings, there was a scarcity of silver in the country, and in October, 1672, the General Court prefaced an act legalizing the currency of pieces of eight, with a preamble in which it was stated that these coins were of more value to carry out of the country than they would yield at the mint, and, what was of more consequence, that they were actually being carried out of the country instead of being taken to the mint. To prevent this, it was ordered that pieces of eight, of full weight and good silver, Mexico, Seville, and Pillar, should pass current at six shillings, after they had been duly stamped at the mint with the letters N. E. to indicate that they had been inspected. Light weight pieces of eight were to be stamped with their actual weight, and to pass for a proportionate value.<sup>1</sup>

The act of October, 1672, is the first point at which we obtain a legal rating of the piece of eight in New England money. It seems probable that this legislation was the result of two circumstances: first, that the piece of eight having a recognized rate in shillings at which it would pass, people could and did avail themselves of it as a medium of trade without paying seigniorage at the mint for its conversion into New England money; and second that the General Court was desirous of protecting the public against the light weight pieces if possible. So far as this latter reason may have had influence in promoting this legislation, it is evident that it produced little result, for in May, 1682,<sup>2</sup> the General Court authorized the currency of

<sup>1</sup> Mass. Colonial Rec., vol. 4, pt 2, p. 533.

<sup>2</sup> Between 1672 and 1682, there were numerous propositions submitted to the General Court looking towards relief through raising the money, lightening the coins, or making the mint free. A plan, suggesting each of these alternatives, was presented June 2, 1677. Mass. Arch., vol. 100, no. 222. On the 31st of October, 1679, it was

light weight pieces of eight according to their weight, and in October of the same year added by way of explanation that they were to be received at six shillings eight pence per ounce Troy weight.<sup>1</sup> Under the Province, it was enacted in 1692 that pieces of eight, Seville, Pillar, and Mexico, should pass current, if of full seventeen penny-weight, at six shillings. This act was disallowed on account of the penalty attached to its infringement, but the substance of the law was re-enacted in 1697 in such form that it was permitted to stand.<sup>2</sup> The expression "full seventeen penny weight" is probably the equivalent of "not less than seventeen penny weight." The rate of coined silver per ounce to be deduced therefrom, assuming, as was apparently the custom at that time in the province, that it was of sterling alloy, is a little over seven shillings. The same

proposed that pieces of eight should pass at 6s. *Ibid.*, no. 241. In May 1680, a petition for a free mint was filed. In the preamble it was set forth that through the mint charges there was a loss to the holder of bullion in the conversion to coin, and consequently plate, bullion and coin were exported. *Ibid.*, no. 243. An order for a free mint was draughted. *Ibid.*, no. 244. A similar draught, without date, is to be found, *Ibid.*, no. 260. A plan for reducing the weight of the New England coins, said to be in the hand writing of John Hull, the mint master, dated June 6, 1680, is in the same volume. The writer says: "If every shilling be made 12 grains lighter then all those that have Peices of eight i.e. both of Good Silver and full weight will advance about 7d or 7½d more then now they doe. Every

12d then to be 2 penyweight & halfe  
6d one penyweight 6 graines  
3d 15 graines  
2d 10 gr,

the same fynnesse to be kept and put a new date. Let the coynage and wast be as by the last settlement." *Ibid.*, no. 245. The Report of the Officers of the Mint, London, Jan. 15, 1684-85, upon the New England coinage is to be found, *Ibid.*, nos. 350-351. A report upon the question of re-establishing the mint, *Ibid.*, no. 388.

<sup>1</sup> Mass. Colonial Rec., vol. 5, pp. 351-373. Colonial Laws, 1672, Whitmore's ed., p. 292, a, and p. 294.

<sup>2</sup> Acts and Res. Prov. Mass. Bay, vol. 1, pp. 70 and 296.

year the legislation against the export of bullion or money was renewed<sup>1</sup> and shipmasters on clearing were required to take oath that they did not have on board their vessels over five pounds in bullion or current silver money.

As has already been intimated the confusion in the currency caused by the closure of the mint led to proceedings in England towards the re-establishment of that institution. Reasons were submitted to the Lords of the Committee for Trade and Plantations why this should be done, September 23, 1686,<sup>2</sup> and a reply to this document on the part of the officials of the mint was filed on the 23d of October.<sup>3</sup> In this latter paper the statement is made that pieces of eight "are but a commodity" in New England and it is recommended that the people there be left to barter the one against the other as their interest guides them. In the interim between the date of the application or petition and the reply on the 13th of October, a committee had already reported to the Privy Council against re-establishing the mint and had recommended that power be given Sir Edmund Andros to regulate, by proclamation, the passage of pieces of eight and other foreign coins imported into New England.<sup>4</sup> On the 27th of the same month the Privy Council concluded that the mint should not be re-established and passed an order to the effect that "Sir Edmund Andros, be and is hereby authorized and empowered by proclamation to regulate pieces of eight and other foreign coins within the said Territory of New England, to such current value as he shall judge most requisite for his Majesty's Service and the trade of

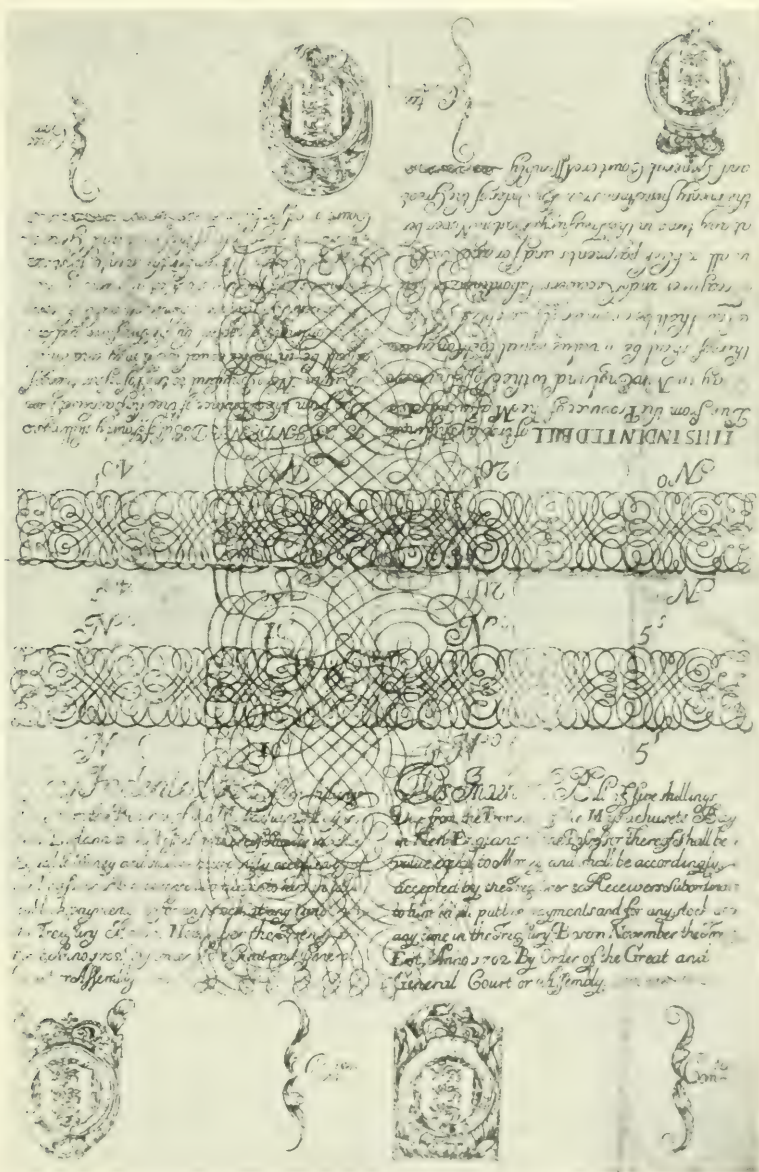
<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 1, p. 306.

<sup>2</sup> See Crosby for a copy of this paper, pp. 91-93.

<sup>3</sup> *Ibid.*, pp. 93, 94.

<sup>4</sup> *Ibid.*, p. 94.





An impression of the Middle Plate, 1702, showing the arrangement of the bills with reference to the stub, and having across its face the red scroll which, it was thought, would aid in preventing counterfeits. The original is in the Massachusetts Archives. Reduced about one-half.





his subjects there." On the 31st of October, Sunderland officially communicated this decision of his Majesty in Privy Council to Sir Edmund in a letter in which instructions were given that "by Proclamation under our Seal for our said dominion in New England, you regulate the price of pieces of eight and other foreign coins imported thither, in such manner and to such a current value as you, with the advice of our Council shall find most requisite for our service and the trade of our subjects there."<sup>1</sup>

This letter was communicated to the New England Council by Sir Edmund on the 22d of January, 1686-87<sup>2</sup> and at the same time the answer of the officers of the mint to the paper entitled "Reasons for a Mint in New England" was also read. On the 28th the matter was brought up again in council and in this connection there was some discussion as to whether it was in the power of the council to prevent the shipping of coin to England and also as to what prejudice to the country such shipments actually occasioned.<sup>3</sup> On the 23d of February, the letter relative to pieces of eight was again

<sup>1</sup> See Crosby for a copy of this paper, p. 95.

<sup>2</sup> Mass. Council Rec., vol. 2, p. 110. Andros Records, in manuscript, in possession of the Amer. Ant. Soc., p. 19. My attention was called to the fact that these records contained information on these points, through the notes to Mr. Toppan's memoir of Edward Randolph. Publications of the Prince Society: Edward Randolph, with historical illustrations and memoir, by Robert Noxon Toppan, vol. 2, pp. 18, 19, and notes. The Andros Records were examined by me in MSS. at Worcester. They have since been published and the reference above given will be found in Proc. Amer. Ant. Soc., vol. 13, new series, part 2, pp. 247, 463. The references to the Council Records are to volume and page of the Manuscript Records at the State House. The Dudley Records have since been published. See Proc. Mass. Hist. Soc., 2d series, vol. 13, pp. 226-286.

<sup>3</sup> Andros Records, pp. 21, 22, Proc. Amer. Ant. Soc., vol. 13, new series, part 2, p. 249.

submitted to the council and at the same time a paper was presented by Mr. Wharton<sup>1</sup> for an accommodation of the country and supply of money to carry on trade, as the record reads.<sup>2</sup> There is a paper in the Massachusetts Archives (vol. 100, no. 162) bearing no date but classified chronologically under 1671, which is endorsed "Mr. Wharton's paper about raising of money."<sup>3</sup> It contains among many others the following propositions: All outstanding debts to be discharged in specie at 6*s.* 8*d.* per ounce; after a given date New England coins to pass as follows: 1*s.* @ 14*d.*, 6*d.* @ 7*d.*, 3*d.* @ 4*d.* and 2*d.* @ 3*d.*; All Mexico, Pillar, Seville, and other pieces of eight, bullion and plate of sterling alloy to pass current at 7*s.* 6*d.* per ounce. The paper contained many other suggestions, and bears evidence of some care in its preparation, but has some amendments in a different hand writing from that of the main part of the text. It was obviously introduced as a basis for discussion. This point was gained and Randolph's record has preserved the substance of what was said. It was contended that unless the New England coins and pieces of eight were raised, all money would leave the country. Sir Edmund was not influenced by this argument but declared that he was opposed to setting any value upon the New England money other than its intrinsic value accounted as bullion. Two goldsmiths were called in as experts. They came to the council chamber and Mr. Wharton's paper was read to them. They asked for time for the preparation of their opinion which was granted them and the discussion was renewed

<sup>1</sup> Probably Richard Wharton, one of the councillors.

<sup>2</sup> Andros Records, p. 28, *Proc. Amer. Ant. Soc.*, vol. 13, new series, part 2, p. 252.

<sup>3</sup> Crosby gives this paper in full in *The early coins of America*, pp. 106, 107.

with vigor, many of the council being of opinion that raising the value of money would make it plentiful in the country and quicken trade. To this it was replied that such a course of action would tend to destroy commerce with the West Indies. Instead of sugar, molasses and rum, nothing but light pieces of eight would be shipped thence to New England. It was argued that raising the coinage would only help the merchants, as the country people could not raise prices on their goods, and this would result in positive injury to the country.

On the 25th of February, the goldsmiths again attended the meeting of the council and submitted their report upon Mr. Wharton's paper. They were of opinion that raising the value of pieces of eight would bring them into the country plentifully, but they thought it would at the same time occasion the shipment out of the country of the New England money. It is obvious from this that they conceived that the opposition of Sir Edmund Andros was fatal to that part of Wharton's project which involved the raising of the New England money. The specific question was put to them what advantage would there be in raising pieces of eight to 7*s.* 6*d.*? and they answered that unless the New England money was correspondingly advanced it would all leave the country. This day's conference was closed by the submission of a proposition that "all whole pieces of eight (Peru excepted) 15 pennyweight and upwards should pass currant at 6*s.*, all other bullion and plate of sterling alloy should pass currant at six and eight pence pr. ounce. All Peru pieces 15 penny weight at 6*s.*<sup>1</sup>"

<sup>1</sup>The account of the proceedings at the meetings of January 28, February 23, and February 25 is taken from the Andros Records. The meeting at which the merchants were called in is recorded under date

On the 10th of March some of the chief merchants of Boston and Salem were summoned before the council in order that they might be consulted on the money question. They were present at the meeting of the board and recommended that there be no change in the valuation of the New England money. They further recommended that Mexico, Seville and Pillar pieces of eight should pass by weight at 6s. 10d. per ounce Troy, and the fractional parts of the same, the quarters and reals, on the basis of a valuation of the piece of eight at 5s. 4d. Outstanding liabilities, they thought, ought to be adjusted in current New England money or in Mexico, Seville or Pillar pieces of eight at 6s. 10d. per oz. Troy.

They were asked by Sir Edmund what was the standard weight of a good piece of eight? They replied seventeen and a half pennyweights. This ended the conference. The merchants wanted the New England money to stand unchanged, and to remain the standard money of the country, and they desired that the Spanish money should pass by weight. This did not accord with the views expressed by Sir Edmund, who evidently wished to establish a value at which the standard piece of eight should circulate and did not wish in direct terms to recognize the New England coins. Randolph undertook to record the impression made upon Andros by this discussion but his haste prevented him from being intelligible. His words are "his Ex<sup>ce</sup> found out the designs of the Merchants to

of March 8, Mass. Council Rec., vol. 2, p. 114, and in the Andros Records under date of March 10. The Council Records represent that the merchants were called in to give their opinion in writing and hence it is to be inferred that the action taken was in accordance with that opinion. The fuller account given in the Andros Records shows that this was not so.



[make?] mony<sup>1</sup> a commodity and not to make it current mony at a price." An order was then passed "That all pieces of eight, Civill, Pillar and Mexico at due weight<sup>2</sup> shall pass in payment at six shillings per piece, that half pieces of Eight, Quarter pieces and Realls do pass pro rata," and on the 12th of March proclamation to that effect was given near the Town House by beat of drum and sound of trumpet. Whether the proclamation followed the language of the order, as recorded in the transcript sent to London and now to be found in the council record, or adopted the language of the Andros records and specified the weight of the piece of eight which should pass at six shillings, does not appear; but it would seem as if the attempt to enforce the order must have been of little use unless the latter was the case.

May 21, 1687, Randolph wrote with reference to this order as follows: "it does not answer the end, money grows very scarce and no trade to bring it in."<sup>3</sup> The condition of affairs a few months later would seem to have revived the discussion as to the rates at which pieces of eight should pass, for on January 24, 1687-88, Randolph again wrote "We cannot yet agree upon the prizes of money: Some would have all pieces of 8, tho' of 15 pennyweight, go at 6s. New England, others at 17; but they stand at 17½. Our money goes all away and shall have little or none to supply ordinary occasions."<sup>4</sup> The statement that the standard weight, 17½

<sup>1</sup> By "Money" he must mean pieces of eight.

<sup>2</sup> The language of the order is taken from the Council Record. The Andros Records at Worcester define the weight of the piece of eight "at 17½ dwt," and add "that the prent New Engl<sup>d</sup> money do passe for value as formerly." They also give a rate for pistoles.

<sup>3</sup> Toppan's Randolph, vol. 4, p. 163.

<sup>4</sup> *Ibid.*, vol. 5, p. 199. This tends, of course, to confirm the impression that the weight was mentioned in the proclamation.

pennyweight, was maintained at that date, shows what was meant by "due weight" in the official records of the council, copies of which were forwarded to London. It is of importance, however to note that the certified copy of the order passed in council regulating the value at which pieces of eight should pass which was sent to London, did not specify the weight otherwise than in this vague form.<sup>1</sup>

The proclamation which gave its name in some of the colonies to the basic measure of value during this period was issued by Queen Anne in 1704 and fixed the rates at which certain foreign coins should pass current in her Majesty's dominions in America.<sup>2</sup> The weight and intrinsic values of these coins were given, and also the corresponding rates at which they should pass in the plantations, the latter being fixed in terms of New England money, or at least in shillings which were so near those in which the province had already rated the piece of eight that it was supposed they would readily be accepted as an equivalent. It may be inferred from this proclamation and from the parliamentary statute passed in 1707 for enforcing it,<sup>3</sup> as well as from the

<sup>1</sup> We know this because the Council Records of this date in the Archives are transcripts of those in the Record Office in London.

<sup>2</sup> Bancroft says of this proclamation: "It pretended to give to coins one value in England, another in the colonies; but as the coin, being an actual product of labor, could not change, it was, in fact, but giving to the words pounds, shillings, and pence, different signification in America from that which they bore in Europe." *History of U. S.* (ed. 1841), vol. 3, p. 390. The pounds, shillings and pence were in the one case sterling, in the other New England money.

<sup>3</sup> 6 Anne, c. 30 (1707). *Statutes at large*, vol. 4, pp. 311, 312. The table is also given in *Annals of the coinage of Great Britain*, etc., by the Rev. Rogers Ruding, London, 1840, vol. 2, p. 61. It was printed in the *News Letter*, No. 34, December 11, 1704, the date of the proclamation being there given as June 18, 1704, and is quoted by Felt in

colonial legislation of this period, with regard to the value at which pieces of eight should pass, that the New England coinage had been absolutely supplanted by the Spanish and Mexican dollars and fractional parts thereof. The mint had been closed for twenty years when the proclamation was issued, and thenceforth when the term "proclamation money" is used it refers to the shilling defined in the proclamation. On the other hand, the favorite equivalent phrase in Massachusetts, "lawful money," refers apparently to the shilling based upon the provincial act.<sup>1</sup> The shillings thus denominated were to have the same value as those rated in the proclamation or act as the case might be in terms of the piece of eight.<sup>2</sup>

By this proclamation, the Seville piece of eight, old plate, and the Mexican piece of eight were each valued

his Historical account of the Massachusetts currency, p. 59. It was published in the *American Journal of Numismatics* and was copied from that journal by Crosby, pp. 117, 118. The act is published by Chalmers in his History of the currency of the British colonies, p. 414. From and after January 1, next ensuing the publication of the act, no Seville, Pillar or Mexican piece of eight, though of full seventeen penny weight and one-half, was to be accounted, received, taken or paid, in any of the colonies whether proprietary, charter or under commission, at above the rate of six shillings per piece current money, for the discharge of any contracts or bargains to be made after January 1, next. After May 1, 1709, the penalty was to apply in all cases.

<sup>1</sup> The new tenor bills were, according to their terms, equal to silver at a specified rate. This might have furnished a new definition for lawful money after the emission of these bills, but in January, 1741-42, lawful money was defined by the Assembly to be coined silver of sterling alloy, at the rate of 6s. 8d. per ounce, Troy weight. Acts and Res. Prov. Mass. Bay, vol. 2, p. 1083. I do not conceive that the difference in the rate of silver from that to be derived from the statute of 1697 was of practical consequence.

<sup>2</sup> The editor of the New Hampshire provincial papers, vol. 5, p. 672, says that he "has been unable to find any definition or explanation of what is meant by proclamation money." It is defined in "The statutes at large of South Carolina, edited under authority of the Legislature, by Thomas Cooper," 1837, vol. 2, p. 709, note. Douglass says, "Spanish pieces of eight are reckoned the Plantation Currency,

at 4*s.* 6*d.* sterling, and the weight of each was given at 17 dwt. 12 grs. The Pillar piece of eight was given a slightly higher value in this table. The rate at which these coins were to circulate in the plantation was fixed at 6*s.* the same value as that assigned by provincial legislation, "if of full seventeen penny weight." The rate of conversion was exactly 133  $\frac{1}{3}$ , the 4*s.* 6*d.* sterling being equal to 6*s.* New England money. The price of silver in London was then 5*s.* 2*d.* per ounce. In proclamation money, where 17  $\frac{1}{2}$  dwt. was equal to 6*s.*, the nominal value of the ounce of silver was 6*s.* 10  $\frac{2}{7}$  *d.* Lawful money or 17 dwt. for 6*s.*, gave 7*s.* 3*f.* as the value of an ounce of silver.<sup>1</sup>

In 1706 the Lords of Trade informed Governor Dudley that the provincial act of 1697 furnished the basis for the rates fixed in the proclamation.<sup>2</sup> "You are further to represent to the Assembly," they said, "that there lies a particular obligation on them to enforce a and are esteemed as such in the Proclamation Act." A summary, etc., vol. 2, p. 16. Felt, on page 116 of his *Historical account*, etc., says, "as debtors, who confided in the last emission of government notes, had promised to pay lawful money, meaning these bills. . . ." This expression is susceptible of the interpretation that Felt thought the public bills of the issue referred to were lawful money, which may or may not have been his intent. The statute which he was interpreting was passed for the purpose of relieving debtors who had incautiously agreed to pay lawful money for debts contracted in public bills.

<sup>1</sup> "We have already a law of this province (of old standing) fixing the lawful tender of pieces of eight of 17 dwt to 6*s.*, that is nearest 7*s.* 3*f.* per ounce, and much later than that an establishment in Queen Anne's reign making pieces of eight of 17 dwt and half a lawful tender for 6*s.*, that is 6*s.* 10*d.* two sevenths per ounce commonly called proclamation money." An inquiry into the nature and uses of money, etc. Boston, 1740, p. 44.

"Some people think that the government have obliged themselves (by saying upon the face of the bills that they shall be equal to money) to discharge them by paying silver at the rate of 17 pwt for 6*s.* or 7*s.* 3*f.* per oz., the then current lawful money." *Some Observations on the scheme projected for emitting* £60,000, etc., Boston, 1738, p. 14.

<sup>2</sup> Acts and Res. Prov. Mass. Bay, vol. 1, p. 580.

due obedience to her Majesty's commands herein, for that the regulation of the rates at which foreign coins are to pass was calculated from a law of their own." The establishment of the value at which foreign coins should pass in the plantations, by the standard fixed for the value of the New England shilling in an act passed by the General Court of Massachusetts instead of reversing the process and taking sterling money as the basis, at first glance seems peculiar. It appears that the Board of Trade adopted this course with reluctance, their action being taken in consequence of an opinion of the attorney general, May 31, 1703, to the effect that the provincial act of 1697, having been approved by the Privy Council had the force of an Act of Parliament.<sup>1</sup> The probable influence of this opinion was anticipated by those in London who were in touch with current events, and William Penn, writing in December of the same year, prophesied that New England's standard would be that of the continent. To this he added, that if a law of theirs [the act of 1697] had not been unwarily confirmed by King William, which law could not be repealed except with their consent, the English standard would have been the measure of America at large. Again in July, 1704, he wrote, "the Queen by proclamation now sent thee has settled the coin at £25 per ct. according to New England standard, and would have done it to English sterling but for the late king's confirming their rates for money, which extends all over America."<sup>2</sup>

<sup>1</sup> Chalmers' History of the currency, p. 14. But for this, one might think reference was had to the legislation under Andros when the rate was based upon 17½ dwt. The phrase "due weight" in the records will be remembered.

<sup>2</sup> Memoirs Pennsylvania Hist. Soc., vol. 9. The Penn and Logan Correspondence, vol. 1, pp. 248, 296. See also Observations occasioned by reading a pamphlet entitled A discourse, etc., etc., p. 15.



Notwithstanding the fact that the action of the Privy Council in thus adopting what they evidently regarded as practically the New England standard for all the plantations in America rested upon the opinion of their legal adviser to the effect that they were bound by the confirmation of the provincial act of 1697, it may well be doubted whether the Privy Council would not have found some way to avoid this dilemma if they had seriously objected to it. The act of 1697 fixed a rate for the piece of eight "if of seventeen penny weight." The proclamation demanded that this weight should be seventeen and one-half penny weights in order that this coin should circulate at the rate of six shillings. Professor Sumner in his paper on "The coin shilling of Massachusetts Bay"<sup>1</sup> says of this proceeding, "In fact the English authorities did violate the law of 1697." Through the exercise of the same power by which this change was accomplished the sterling standard could have been adopted.

If we turn to the then existing condition of the currencies in New England and at home, we shall see that the circumstances were such that it was easy for the Privy Council to reconcile themselves to the step thus forced upon them by the opinion of the attorney general.

The province was then dependent upon foreign silver for its currency. New England money was but a nominal measure of value, the local coinage having disappeared after the closure of the mint, and the province having been compelled to resort to legislation against the export of silver, in the hope of retaining within its borders the miscellaneous coins then in circulation.<sup>2</sup>

<sup>1</sup> *Yale Review*, Nov., 1898, p. 264.

<sup>2</sup> Acts and Res. Prov. Mass. Bay, vol. 1, pp. 306, 307.

Moreover, the condition of the silver coinage in Great Britain at that time may serve to some extent to explain this readiness to accept a measure of value set by the province itself in terms of a foreign coin. The table of values for foreign coins contained in the proclamation was prepared by Sir Isaac Newton, who had been called to the mint for the purpose of superintending the recoinage of the silver of the realm. Prior to this process, and during its continuance, the relations of the values of English gold and silver coins were greatly disturbed. After the recoinage, confidence was re-established in London, but it was still fresh in the minds of men that the upward career of the guinea, when measured in the clipped and sweated silver in circulation prior to this measure, had been decreed by parliamentary enactment to stop at 30s., and that by successive laws its measure in silver had been ordered to be reduced to 22s., while as a matter of fact, it had, at the time the table was made, actually fallen to 21s. 6d. Thus it will be seen that the recent instability of the English silver coinage may have influenced the politic course taken in accepting as binding the opinion of the attorney general heretofore alluded to and adopting a measure of value which purported to be the same as that established, in terms of a foreign coin, by the colonists themselves. The rate having thus been fixed between a nominal measure of values and an actual coinage, there was nothing to disturb it so long as the standards of the mints were preserved. It is known that these standards were not constant, but in practice these changes were not noticed in the colonies, and the rate was passed on to our day, six New England shillings being equal to the dollar, Mexican or Spanish, and to their successor our dollar; 133  $\frac{1}{3}$ s. lawful money being

in the days of the province equal to 100s. sterling. Until dollars came into use, all transactions in Massachusetts were stated in New England money. All accounts given in terms of "lawful money" must therefore be reduced twenty five per cent if we could obtain the corresponding amount in sterling.

It has been said that the standards of the foreign coins which were in use in the colony were subjected to changes during this period. The fluctuations in value consequent thereto have been fully described by Professor William G. Sumner.<sup>1</sup> Although the value of "proclamation money" and of "lawful money" remained constant so long as there were no changes of weight and alloy at the mints, still in practice the standard of weight for the piece of eight in circulation which passed for six shillings was steadily reduced until silver was driven out of circulation. The different values of the coin shilling to be derived from legislation and from the degradation of the piece of eight at different times, 1652 to 1705, have also been worked out by Professor Sumner.<sup>2</sup>

Although we have reached technical definitions of proclamation and lawful moneys, we have not conquered all the difficulties which are to be encountered in the attempt to analyze the significance of these terms. It was the opinion of Attorney General Northey that the tender in the colonies of the foreign coins mentioned in the proclamation at the rates therein expressed was a legal tender.<sup>3</sup> Whether this was sound law or not, in practice the proclamation was not recognized. Doug-

<sup>1</sup> *Amer. Hist. Rev.*, July, 1898.

<sup>2</sup> The coin shilling of Massachusetts Bay, *Yale Review*, Nov., 1898, and Feb., 1899.

<sup>3</sup> October 19, 1705. See *Opinions of Eminent Lawyers, etc.*, by George Chalmers, London, 1814, vol. 2, p. 322.

lass, speaking of the act of Parliament passed for enforcing the proclamation says "This Act continues to be observed in none of our colonies, excepting in Barbadoes and Bermudas."<sup>1</sup>

If the values assigned by the proclamation had been accepted in the colonies, a measure of values would have been furnished which would only have been affected by the changes in weight and alloy made by the foreign mints, we might indeed say by the Spanish mint. Northey's opinion would have been made the law of the land through local legislation and "lawful money" and "proclamation money" would have been synonymous. Such was not the case, however, for when Dudley sought to secure observance of the proclamation through penal legislation he was met with such vigorous resistance by the assembly, that he wrote to the Lords of Trade, July 25, 1705, that they would not even refer the proposed legislation to a committee until he had dropped the word "penalty" out.<sup>2</sup> He then went on to say that the assembly sought to rate silver at eight shillings an ounce, scarce fifteen penny weight for six shillings. This he had peremptorily refused to approve and had finally, after a contest of five weeks, prevailed and secured the levy at seventeen penny weight. In other words the utmost concession that he had secured from the assembly was the adoption of the rate which had already been recognized by provincial legislation, that is to say the act of 1697. The rate of silver which the assembly attempted to fix in the tax levy was the then current rate in the province and it carried with it the corollary that the piece of eight

<sup>1</sup> A Discourse, etc., Boston, 1740. Reprinted by Amer. Economic Assoc. in *Economic Studies*, vol. 2, no. 5, p. 302.

<sup>2</sup> Acts and Res. Prov. Mass. Bay, vol. 1, p. 579, note to chap. 3.

then in circulation weighed, as Dudley expressed it, "scarce fifteen penny weight." This had been accomplished through the process of selection for remittance, from the clipped coins in use in trade, of all those whose weight made them more valuable for this purpose than for local use, and the bills of public credit had been kept at a nominal par with silver through the degradation of the coins in use. During the time that this process was going on there must have been an unusual difficulty in determining what was "lawful money." Legally perhaps this was determined by the act of 1697, which still stood unrepealed and was practically recognized, through the persistency of Dudley, in the tax levy of 1705. Moreover, so far as the government was concerned, Dudley intimated in the same letter that he should insist upon payments being made to the treasury on that basis, but in the adjustment of ordinary debts, it is probable that pieces of eight at their current value or bills of public credit on the same basis were accepted without question. Dudley evidently refers to such a practice when he says "thereby the country will be emboldened to use their late way of payment at fifteen penny." When however silver disappeared, some other measure than the uncertain paper money had to be resorted to and recourse was apparently had to the shilling defined in the provincial act of 1697.<sup>1</sup>

<sup>1</sup> Belcher, writing in 1739, says, "good and lawful money of the province which is seventeen pennyweights for six shillings." *Coll. Mass. Hist. Soc.*, 6th series, vol. 7, p. 225. A writer in 1720 says, "Any man might all along, and may still with silver money at seventeen pennyweight, buy almost any commodity at pretty near the same rate he might before our province bills were first issued out." A letter from one in the country to his friend in Boston, containing some remarks upon a late pamphlet, etc., etc., Boston, 1720. p. 4.



In a paper published by the writer in February, 1898,<sup>1</sup> the discrepancies in the value to be assigned to silver through these definitions and the difficulty of determining what it actually was at any given time were pointed out. The assumption was made in that paper that the shilling to be derived from the proclamation and that which can be deduced from the provincial statute were accepted as substantially the same. This opinion was based upon the disregard of precise definitions which then prevailed and the total neglect of other elements than weight in assigning values to the Spanish coinage then in circulation. It will be seen, however, from some of the references which have been given that certain of the writers recognized the distinction in value between the "proclamation" and the "lawful" money, and it must be borne in mind that the latter was the fundamental measure of value in Massachusetts.

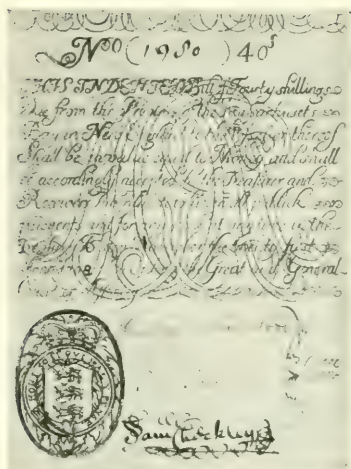
Any person who cares to pursue the technical investigation of this subject will derive much aid from two papers which have been published by Professor William G. Sumner.<sup>2</sup> The complicated facts related thereto are arranged and analyzed in these papers with masterly skill. The value of the coin shilling at various periods is stated in terms of scientific accuracy and the conclusion is reached that the silver shilling derived from the piece of eight in the middle of the century was 62.9 grains of fine silver, coinciding with a shilling which among the various fluctuating values had been twice met with before. It is not possible to reproduce here the various definitions of the coin shilling arrived at by Prof. Sumner, nor would it be profitable

<sup>1</sup> Proc. Amer. Acad. Arts and Sc. vol. 33, No. 12.

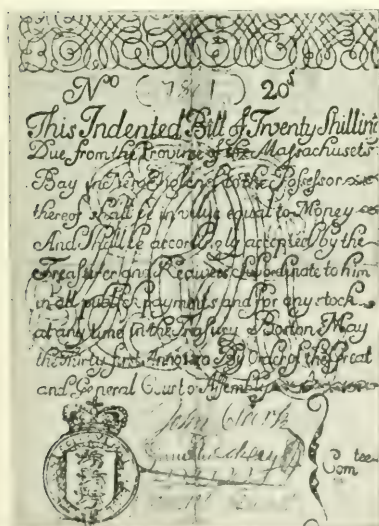
<sup>2</sup> The Spanish dollar and the colonial shilling, *Amer. Hist. Rev.*, July, 1898; and The coin shilling of Massachusetts Bay, *Yale Review*, Nov., 1898, and Feb., 1899.

to do so in an attempt to show what the community regarded as the shilling in commercial use. It is not so much the scientific definition of value that we seek, as the opinion of the colonists as to values measured in sterling. This we can to a certain extent accomplish, but the practical disregard by the colonists of any other question in connection with the coins in use than that of weight makes conclusions based upon these opinions of doubtful accuracy. In the long run value undoubtedly asserted itself, but quotations must at times have been at variance with it. Furthermore, the irreconcilable nature of some of the statutes, from which more than one value can be determined, unsettles conclusions based upon them and compels the exercise of independent judgment. In any event whether the reader be competent to test the recorded facts with the skill of an expert numismatist or can simply apply the tests open to an ordinary business man, the recapitulation and study of the same events will be necessary.

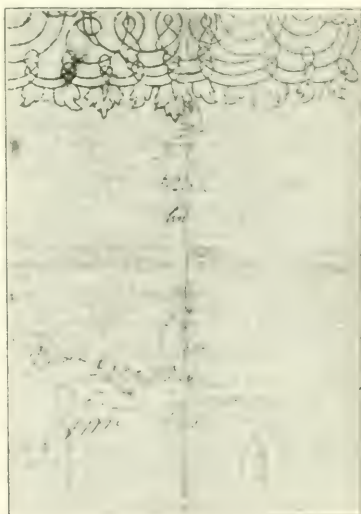
# PLATE 4.



40s. bill, 1708, having the red monogram on its face. The indent has been trimmed off. Photographed by permission of the Lenox Library.



20s. bill, 1710, having the red monogram on its face. The indent has been trimmed off. Photographed by permission of the Lenox Library. Checkley's signature in red ink.





### CHAPTER III.

#### THE CURRENCY CONFLICT UNDER DUDLEY AND SHUTE.

The relations of the house of representatives to the royal governors under the provincial charter were from the beginning replete with perils of conflict. If under the administration of Phips the actual encounter was postponed, it was partly, no doubt, because the colonists had not yet learned how far they were to be shorn of the privilege of self government which they had enjoyed in the days of the colony. The province charter was heralded to them as a blessing by the boastful Mather and he claimed that his countrymen owed him a debt of gratitude for his services in procuring its issue. Until the Privy Council entered upon the critical supervision and wholesale rejection of the laws passed during the first three years under this charter, the representatives could not have known how far the home government meant to exercise the reserved rights of disapproval of provincial legislation. The passionate and ill-balanced governor nominally at the head of affairs was no longer in the province when the news arrived of the action taken at the meeting of the Privy Council held August 22, 1695, at which amongst so many others, the act in which the exclusive right of taxation was reserved to the General Court met with disapproval. Through knowledge of this action the province was brought face to face with the fact that the Privy Council proposed to exercise actual surveillance over legislation and also did not intend that the possible claim on the part of parliament of a right to tax the



colonists should be baldly surrendered.<sup>1</sup> Under these circumstances the probable action of the friends of the old charter became a question of importance. It was well, perhaps, that the fiery Phips, who had already collided with some of the leaders of that party, was not then at the actual head of the government. His representative, Lieutenant-Governor Stoughton was not aggressive enough to please Edward Randolph, the royal collector of customs, who sums up his estimate of the man in the words "he was a good scholar but not bred to military discipline."<sup>2</sup> Stoughton, through his politic affiliations and by his prudent avoidance of self-assertion, warded off collision at that time and maintained a peaceful attitude during his entire administration of affairs, both before and after the brief presence of the Earl of Bellomont.

It is quite probable that the enthusiasm with which Bellomont was received and the trust which his genial deportment aroused would have given place to other sentiments if his stay here had been prolonged, but, as it happened, he retained the confidence and good will of the people so long as he remained in the province.

His successor in the gubernatorial chair was a man of widely different surroundings and his advent aroused none of that enthusiasm with which the coming of the Earl of Bellomont was hailed. Joseph Dudley, although a native of Massachusetts, was known to be a courtier and was distrusted by his countrymen. He had already

<sup>1</sup> Judge Chamberlain makes the point that the objections alleged by the Privy Council to this act did not cover the sections which declare general rights, and he adds "they consequently retained the political significance which inheres in all unchallenged claims of right." John Adams, the statesman of the American Revolution with other essays, etc., etc., by Melien Chamberlain, 1898, p. 49, note.

<sup>2</sup> Toppan's Edward Randolph, vol. 5, p. 159.

suffered imprisonment, after the overthrow of the Andros government, at the hands of some of the very men who were now prominent in provincial politics. Under the most favorable circumstances a collision between him and the local government might have been expected. As the representative of an autocratic government, himself fully imbued with the notion that the colonies were to be treated as mere dependencies of the crown, he could not have co-operated with a body of men who were seeking to save from the wreck of the old charter some of the planks of self-government which had so long served them in their navigation of the political seas during the days of the colony. It forms no part of my purpose to trace in detail the history of the conflict between the provincial governors and the assembly. Conspicuous as was its function in the formation of the political opinions which made the revolution a possibility, it is mainly important to us because it affected questions connected with the currency.

After the wild plunge was made in the emission of bills for loans, and the recklessness of the province legislature was thoroughly appreciated, the influence of the Board of Trade, which was organized to relieve the Privy Council of the supervision of colonial affairs, that of the royal governors and also, as a rule, that of the province council, was exerted, on the side of conservatism and sound money. The royal instructions, often impolitic and sometimes impracticable, were after that time uniformly couched in restraint of excessive emissions, and the respective royal governors, although at times they connived at evasions of the instructions, generally exerted themselves to secure obedience thereto. The council held a position midway between the governors and the representatives, and their relations to

the subject were somewhat in accordance to this position. Although elected by the assembly, still the tradition which attached to them as a sort of upper house, having special powers confided to their execution by the charter, influenced the selection of prominent men as members, who were generally possessed of more than average wealth. Their relations with the governor were closer than their connection with the house, and they were to be relied upon to support him unless some recognized question of principle was involved in the matter under conflict. So that, as we run through the various points of controversy which arose between the governor and the assembly, we find the council sometimes opposed to the house, sometimes acting the role of peace-maker, but occasionally joining hands with the representatives in asserting some principle of self-government. The house, throughout the contest, was persistent in the maintenance of all rights granted to that body by the charter, but on questions of finance it was often unreasonable and intemperate, readily following the lead of any persuasive advocate who might propose a financial heresy and resisting to the utmost all attempts to impose restraint upon its action. In the effort to take into its own hands not only the origination of all appropriations, but also the control of all disbursements, which soon became the settled policy of the representatives, the relations between the house and the governor and council finally assumed such a character of hostility, that reasoning upon that point was thrown away and in the discussions which ensued arguments were wasted. Even as early as 1702, the house locked horns with the board under circumstances so utterly indefensible that it was compelled to abandon its position. The representatives had refused to

comply with the request of the governor that they should make an appropriation for the fort at Pemaquid, a work which he had been specially instructed to forward. The board requested a conference on the subject, which conference the house peremptorily declined to grant. Whereupon the board declared that this refusal of a conference upon a matter relating to the government was an infringement of their rights and privileges, and in the end, the house yielded the point.

There were two questions which Dudley under his instructions was compelled to press upon the attention of the assembly, both of which were sure to meet with resistance, and unless the discussions which would inevitably ensue should be conducted with great judgment, feelings would be engendered which would greatly diminish his influence over that body. One of these was the construction of the fort at Pemaquid, the other was the fixing of a salary for the governor of the province. On both of these points the representatives were unwilling to follow the instructions, nor was there any way in which Dudley or any of his successors could overcome their objections and secure obedience. The council, notwithstanding the recent conflict with the house, supported the position assumed by that body with regard to the salary. In his communications with the representatives, Dudley was often abrupt, almost to discourtesy, and in this instance he had curtly called upon them to carry out the instructions. They informed him that the stating of perpetual salaries was not to her Majesty's interest and when he sent down for the house journal in order to inspect it, they told him he might see it in their chamber but declined to send it up to him. The strained relations thus early established through the governor's attempt to enforce

his instructions were made more pronounced at a later date by the exercise on his part of the power lodged by the charter in the governor, of negativating councillors not grateful to him, and the attempt on his part to exercise the same power with regard to the speaker whom they had chosen. Thus it came to pass, almost at the beginning of his career as governor, that Dudley established with the body which controlled the making and shaping of the supply bill, relations of such a nature that the representatives would not patiently listen to any advice that he might give them. Nevertheless he felt it incumbent upon him to say something from time to time upon the subject of the currency and it would have been well if they had hearkened to his warnings.

"The particular business you have before you," he said in 1703, "is the making good the votes of the two last Assemblies in raising the tax for the bills already issued." May 27, 1708, the governor sought to secure legislation which should prevent the bills of credit from declining. "We are all," he said, "sensible of the great service and benefit we have by the bills of credit. It behooves us to be very jealous of their disparagement, and as we always deposited a just fund for their support, so I think now it may be proper to make some Act of the Assembly to prevent their being undersold, and thereby defamed, with penalties thereupon." During the summer of 1711, £50,000 in bills of credit were loaned temporarily to Boston merchants, to enable them to furnish supplies to the Hill and Walker expedition, payment for which supplies was made to the merchants by sterling drafts on London. May 29, 1712, while these bills were still out, the governor said, "I think it necessary also to move you to consider the state of the



bills of credit, in which the province has honored themselves by keeping up their just value hitherto." The public bills loaned to the Boston merchants, although the amount was undoubtedly large enough to have had a perceptible influence upon the rate at which the bills were current, could not have been included among those towards which the governor directed his remarks. No obligation rested upon the government to provide by legislation for their retirement. The loans were for a specific period and at maturity the return of the bills to the treasury could be enforced. The apprehensions which Dudley felt for the credit of the bills were, therefore, aroused in behalf simply of the bills which had been issued to meet the charges of the government, but so great was his solicitude that in December, 1712, he recurred to the subject, saying: "Gentlemen, the province has had the benefit of these bills of credit through the course of their long and heavy war and now since her Majesty's wise and steady counsels have brought us into view of peace, we must take care to honor them by passing through the payment of them in such course and method as we have projected in the several acts of the Assembly made and provided for that purpose."

In June 1715, the representatives asserted that the trade of the province was greatly obstructed by the exportation of coin; that the only medium of exchange then passing was bills of credit; that so few of these were in circulation that it would occasion trouble to call in the bills which by the terms of the resolves under which they were issued should by right be called in that year; as a remedy for the trouble they proposed that a part only of these bills should be called in. No damage would accrue from this proceeding, they said,

either to the public or to private persons, but on the contrary, it would be for the advantage of all. On the 20th of July, the governor protested against this doctrine and informed them that the bills would be sure to decline if upon any pretext whatsoever they should fail to redeem their promises in calling them in. The representatives showed the value in which the governor's advice was held by them, by voting, the same day, to postpone the retirement of a part of the bills.

The accession of George I, August 1, 1714, produced a lull in the conflict between the governor and the representatives. By an act of Parliament the commission of the governor remained in force for six months after the decease of Queen Anne. It was known that, with her death, Dudley's power at court was greatly diminished, and pending the appointment of a successor, he evidently wished to avoid collision as far as possible. At the expiration of the six months, the governor having no longer a semblance of authority, the council assumed control of the government, to be superseded in turn by Dudley, whose powers were temporarily extended by royal proclamation. March 17, 1715, Elizeus Burgess received the appointment of governor of the province. Burgess was a colonel in the army and had seen service. His appointment was made at a time when the feelings still ran high between the advocates of a currency secured upon real estate, to be issued by a private bank, and their opponents who, in order to defeat the incorporation of the private bank, favored the emission of bills of credit by the province to be loaned for a term of years to citizens. The public bank, as this scheme was denominated, was triumphant. The private bank was frowned upon by the authorities and in November, 1714, £50,000 public bills were issued

and loaned to the inhabitants of the province on real security for five years at five per cent. interest, the interest and one-fifth part of the principal to be paid annually<sup>1</sup>. In all this the hand of Joseph Dudley had been felt, and for that reason those who favored the private bank actively opposed his re-appointment and were anxious that his successor should take charge of the government. It became known that Col. Burgess did not intend to assume office for some time but proposed to prolong his stay in England and the unusual step was resorted to of procuring and forwarding to Boston exemplified copies of his commission and of the new commission of the Lieutenant-Governor, Colonel William Tailer, who had secured a re-appointment. Both of these were published on the 9th of November. Tailer thereupon assumed the administration of the affairs of the government. He was a native of New England, and a connection of Stoughton's by marriage. He was known to be in favor of the private bank, a fact which secured him the support of a faction in the house of representatives and which was, perhaps, the secret of his brief administration of affairs at this time, but which also served as an obstacle for his retaining the office of lieutenant-governor after Burgess determined not to come to Massachusetts. His views on the subject of banking cost him the support of those who, as it chanced, were able to influence the appointment of a successor to Burgess, and simultaneously the appointment of a new lieutenant-governor. Sir William Ashurst alleged in a letter that the true reason of Tailer's popularity was "his being at the head of the private bank", and this, he added, "I take to be a new and strong reason for putting him out of his employment; and in this I do

<sup>1</sup>Acts and Res. Prov. Mass. Bay, vol. I, p. 750.

not rely upon my own judgment, but upon the judgment of many principal gentlemen in the Bank of England, who condemn it [the private bank] as mischievous to the country and calculated to serve private sinister views." The importance of Sir William Ashurst's friendship at this juncture will be apparent if we turn to the pages of Hutchinson for an account of what was then being done in this connection in London. It is there recorded that "Mr. Belcher, afterwards governor, who was very opposite to the bank party, was then in London; he joined with Mr. Dummer, the agent, and they engaged Sir William Ashurst with them, and prevailed upon Burgess for a thousand pounds sterling, which Belcher and Dummer advanced equally between them, to resign his Commission that Colonel Shute might be appointed in his stead."<sup>1</sup>

The Colonel Shute whose commission was secured through this advance by Boston capitalists, belonged to a family of dissenters. He had served in the field under King William and had been wounded in one of Marlborough's engagements in Flanders. He stood well at court, was thought to be a "friend of liberty", as the phrase then went, and had the reputation, according to Hutchinson, of being humane, frank and generous. Chalmers, whose contempt for him seemed boundless, says: "He was one of those well meaning men, who in private life gain some respect because

<sup>1</sup>History of Massachusetts (ed. of 1795), vol. 2, p. 195, and note. Chalmers, speaking of this transaction says: "Yet, fonder of present gain than of dependent preeminence, the new governor sold his patron's favor for one thousand pounds to Shute, who had also served with reputation in the Wars of William and Anne. This officer's religious and political prepossessions, no less than his natural imbecility, rendered him one of the least qualified men in England for the arduous station he courted." Introduction to the Hist. of the Colonies, vol. I, p. 396.

they are harmless, but he possessed not even the minute intelligence which enables official men of little parts to transact great affairs".<sup>1</sup>

William Dummer, a native of New England, and a son-in-law of Governor Dudley was at the same time appointed lieutenant-governor. He was a discreet and politic man, who when in charge of the administration yielded upon occasion, even when the prerogatives of his office were undoubtedly invaded, rather than jeopardize the true interests of the province.

It may well be doubted whether the Boston capitalists, who advanced money to secure the appointment of Shute in place of Burgess, gained much by the change. One thing it will, however, be well to note in connection with this extraordinary transaction. Those gentlemen would never have resorted to a method the obvious tendency of which was to bring into disrepute the royal governors of the province, if it had been thought possible at that time to secure the influence and direct the power of the Board of Trade against the private bank. At a later date this was not only accomplished but Parliament itself intervened. It is evident, however, that at this time the opponents of the private bank could find nothing in the English statutes which made the proposed scheme for a bank unlawful and hoped for no aid from the Board of Trade through which they could defeat the supporters of the private bank. It is incredible, otherwise, that they should have resorted to such discreditable methods.

On the 22nd of June, 1716, a committee for promoting the produce and trade of the province reported a bill for emitting £100,000 in bills of public credit. The bill failed to pass at that time, but was again brought

<sup>1</sup>Chalmers' Introduction, etc., vol. I, p. 412.



before the attention of the General Court and on the 1st of August the lieutenant-governor recommended its passage, saying, "I hope if agreed to [it] will greatly tend to the support of the government and the encouragement of trade, therefore I cheerfully recommend it to you." The passage of the bill was not, however, secured at that time, but was still in abeyance when the new governor assumed the administration of affairs. Shute's commission was dated June 15, 1716, and he arrived in Boston on the 4th of October following. He at once put himself into the hands of the opponents of the private bank and in his first speech to the assembly he said, "It is my lot to enter upon this government at a time when your commerce (a very important article of the people's happenings) is under a very great discouragement by an universal want of money, which is the medium of trade. I must, therefore, recommend to you as a matter worthy of your greatest application to find out some effectual measures to supply this want and thereby restore trade to a flourishing condition in which you shall have my best endeavors and hearty concurrence."

The temporary loan of £50,000 to Boston merchants was at that time nearly all paid up, but the £50,000 loaned, at interest, in 1714 was still afloat. Profiting by the experience gained by these emissions, which avoided the necessity of laying taxes for calling in the bills and which through interest on the loans could be made to contribute towards the support of the government, the legislature acted on this advice and December 4, 1716, passed an act for emitting £100,000 to be distributed proportionately to the counties and to be loaned to the inhabitants of the province at five cent. interest, on real security for ten years, alleging in the

preamble that "the bills of credit on the Province, being yearly called in, are now grown very scarce, and few of them passing in proportion to the great demand for the same."<sup>1</sup> The marked effect of this loan on silver and exchange seems to have opened Shute's eyes to the situation, for in April, 1717, he spoke of the "intolerable discount" on the bills, concerning which he said in May of the same year that he could not forbear alluding to it again as a matter of great importance.

There was a clause in the £100,000 loan act which authorized the commissioners to lend again any sums which should be paid in before the expiration of the ten years for which the sums were to be loaned. The obvious purpose of this was to keep the entire sum afloat during the period of the loan, in the hopes that it would relieve the pressing demand for currency. As early as February, 1718, Shute became convinced that this would work badly and on the sixth of that month he urged the repeal of this clause. He placed himself squarely among the advocates of a metallic currency the same month, saying: "We shall never be upon a firm and lasting foundation, 'til we recover and return to silver and gold, the only true species of money."

In May he urged the assembly to find some means to advance the sinking credit of the public bills, saying that the ill consequences of not giving the matter due attention were daily increasing and would inevitably end in the ruin of the province if not timely prevented. Delays, he said, were highly dangerous. The miserable record of their neighbors at Carolina, he thought, might awaken them. If nothing were done at this session he was persuaded that it would prove thereafter to be too late. A committee, appointed by the governor and

<sup>1</sup>Acts and Res. Prov. Mass. Bay, vol. 2, p. 61.

council on the second of June, 1718, to consider of some fit expedient for raising the value of the bills of credit of this province, and recovering the trade out of its present decay, could suggest no better remedies than are to be found in the following propositions:—1. That credit be limited; 2. That the governor's recommendation as to the repeal of the clause in the £100,000 emission, which has been already alluded to, be carried out; 3. That the exportation of silver and gold be prohibited.<sup>1</sup>

May 28, 1719, Shute called attention to the fact that his Majesty was always inculcating from the throne the danger of postponing the payment of parliamentary securities and the necessity of constantly supporting the credit of Great Britain. He felt it to be his duty to give the same advice to the assembly. Again, on the 13th of July 1720, he urged the General Court not to postpone the bills as they had too often done, to the detriment of the government and the lessening of the value of the bills. On the 19th the representatives satirically expressed their great pleasure and satisfaction at the successive reminders they had received from the governor upon the necessity of maintaining the bills, but included in their message a recommendation that produce, as well as bills, should be received in the treasury in payment of taxes.

In 1721, on the 15th of March, the governor in a speech told the representatives that he had consulted with some of the principal gentlemen and merchants of Boston as to some scheme to redress the grievances under which they were laboring for want of a medium of trade. He then added, "The redress seems to be very much within the compass of every man's capacity,

<sup>1</sup>Acts and Res. Prov. Mass. Bay, vol. 2, p. 125.

I mean to be frugal and industrious, without which the mines of Peru and Mexico would not make you a happy and prosperous commerce." The representatives replied that they agreed with the governor in his opinion that further issues would depreciate the bills, and they had as a remedy passed a bill restraining traffic in money except at the rates fixed by the act of Parliament.

Notwithstanding the governor's opinion that silver and gold were the only true money, he approved another loan bill in March, 1721, at which time £50,000 were distributed among towns, to be loaned on real or personal security, the interest on the loans being intended to be for the benefit of the towns. The rate was not specified. The loans were to be called in, £10,000 a year, 1726-1730 inclusive.<sup>1</sup>

By the summer of 1721, the various points at issue between the governor and the representatives had reached so great a magnitude and the conflict had assumed such an acute form that the usefulness of Shute at the head of the administration was much impaired. The import duty laid upon English merchandise in 1718 and the tonnage duty imposed upon English built ships at the same date had brought down upon the assembly the rebuke of the Lords Justices who in the absence of the King were administering the affairs of the kingdom.<sup>2</sup> A new instruction was sent to Shute by the Board of Trade in 1721. This was known as the

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 2, p. 189.

<sup>2</sup> Among the questions which had contributed to bring about this result were the following: The construction of a fort at Pemaquid; the fixing of stated salaries for the governor and lieutenant-governor; the protection of the rights of the Crown under the charter to spars from the woods of Maine for the royal navy; the import duty on English goods and the tonnage duty on English built

14th instruction and by its terms he was required to submit to the crown for approval all acts authorizing the issue of bills of credit unless the same were issued to meet necessary charges. The acts thus to be submitted were required to contain a clause suspending their execution until approved by the crown. Hutchinson makes the statement that this instruction was not occasioned by the bad effect of the bills upon the currency but by a complaint from some merchants of New York relative to a specific act passed by the New York assembly; whereupon to prevent similar acts in the future this instruction was issued.<sup>1</sup>

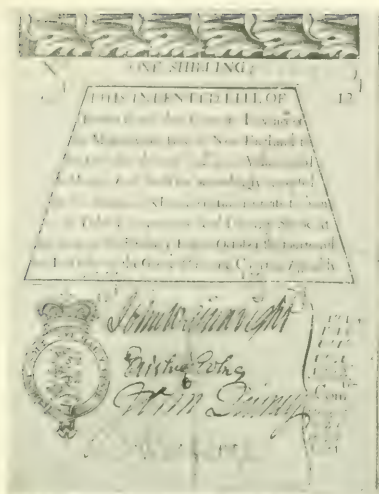
On the tenth of June the house inquired of the governor how this instruction was to be applied. On the 13th he requested the representatives to state what the difficulty was which they had encountered. They replied that the exception in the instructions was the cause of their trouble. Under this exception, bills could be issued for raising and settling a public revenue for defraying the necessary expenses of the government according to the instructions already given. Can the governor, said they, give his assent to an act or order for raising and settling a revenue, that is, by fixing a settled salary on himself and other officers in the government, without inserting the clause, that the act shall not take effect until approved by the crown, or must any act making such an allowance contain the clause referred to? This point was what the represen-

ships; the right of the governor to negative a speaker chosen by the house; the choice of notaries public; the adjournment of the house without the consent of the governor; the transfer of the court to Cambridge; interference on the part of the house with the campaign against the Indians; the method of appointing fast and thanksgiving days; and the approval of the disbursements prior to making the appropriations.

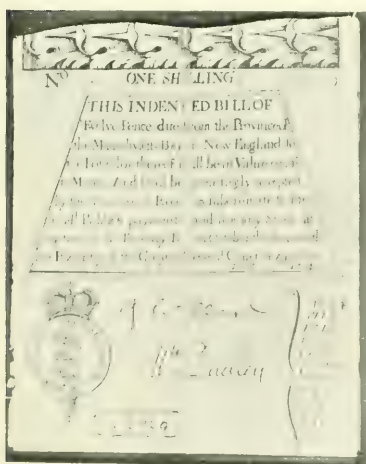
<sup>1</sup> History of Massachusetts, [ed. 1795] vol. 2, p. 222, note.



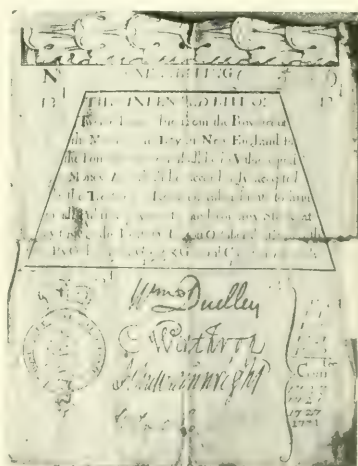
# PLATE 5.



1s. bill, old tenor, 1713 set of plates. Apparently emitted in 1735. Winthrop's signature in red ink. The number (1119) also red. Indent trimmed off. Photographed by permission of the Lenox Library.



1s. bill, old tenor, 1713 set of plates. Apparently emitted in 1740. Has two signatures only. The number, 2829, is the cabinet number of the Essex Institute, by whose permission the bill was photographed. Size,  $4\frac{1}{8}$  in. x  $5\frac{1}{2}$  in.



1s. bill, old tenor, 1713 set of plates. Apparently emitted in 1736. Cooke's signature, red. Number of bill, red. Photographed by permission of the Library of Harvard University. Size, 4 in. x 5 in.



tatives wished to have cleared up and they felt themselves inadequate for the task since this instruction referred to other instructions which had not been communicated to them. Shute fell into the trap and submitted the question to the council, who unanimously decided that appropriations of this sort did not require the approval of the crown before they should become operative. A precedent was thus established which became of great value to the representatives in their discussions upon this point at a later day.<sup>1</sup>

This triumph of the representatives over the governor, and it may also be said over the Privy Council was to all intents and purposes the end of the conflict between the governor and the house on matters connected with finance, so far as the prerogatives of the office or the instructions under which the governor acted were concerned. During the remainder of the time that Shute was in the province the representatives occupied what time they devoted to this subject in a heated contest with the council, over the control of the disbursements under the supply bill. In 1721, the house inserted in the supply bill a clause limiting the application to the purposes expressed in the resolve in these words: "and for no other ends or uses whatsoever." To the use of this phrase the council demurred and for a time no appropriation was possible, each party to the contest as-

<sup>1</sup> These proceedings are set forth in full in the House Journal and will also be found in A collection of the proceedings of the Great and General Court or Assembly of his Majesty's Province of the Massachusetts Bay in New England containing several instructions from the Crown to the Council and Assembly of that Province, for fixing a salary on the Governor, and their determinations thereon, as also the methods taken by the Court for supporting the several Governors since the arrival of the charter. Published by order of the House of Representatives, Boston, 1729, p. 34.

serting that the responsibility for the situation rested with the other.

In March, 1722, a resolve was passed authorizing the issue of bills to meet the expenses of the government, in which the obnoxious phrase was not inserted, but the purposes of the house were accomplished through a clause at the end of each appropriation to the effect that the aforesaid amount was "to be drawn out of the Treasury for the ends and uses above appropriated only."

The sudden and unexpected departure of Shute from the province in 1723, produced consternation in the minds of the representatives. They assumed that he had gone to England and that his purpose was to lay his grievances before the crown.<sup>1</sup>

The overthrow of the projectors of the land bank, in 1714, temporarily checked the discussion of projects of that nature. It did not, however, entirely check the publication of pamphlets treating of matters connected with the currency. A writer in 1716 discussed the projects for banks which had been submitted by their friends.<sup>2</sup> He was a believer in paper money and thought the province might furnish it through loans to towns or better yet the business men of the province might organize a private bank and emit an adequate supply.

In 1719, another writer took up the subject and published two pamphlets in which he attacked the whole system under which the bills had been issued and

<sup>1</sup>That this was true is of course well known. The nature of Shute's complaints is to be found in Hutchinson, but if the student cares for the details of the proceedings before the Privy Council he must examine The Report of the Lords of the Committee upon Governor Shute's Memorial with his Majesty's order in council thereupon. 1725.

<sup>2</sup>Some considerations upon the several sorts of banks propos'd as a medium of trade and some improvements that might be made in this province hinted at. Boston, 1716.

demonstrated with clearness and vigor the many fallacies which existed concerning them.<sup>1</sup>

In 1720 and for a time thereafter the advocates of a private bank were quite active and there were numerous publications during this controversy. The first among these was a pamphlet entitled "The Distressed State of the Town of Boston," which was written by John Colman, whose subsequent connection with the Land Bank of 1740 made him notorious.<sup>2</sup> Undue importance was attached to this publication and the author was arrested in a criminal suit for libel. This resulted in the appearance of a number of controversial pamphlets most of them being of little importance.<sup>3</sup> Among the pamphlets brought forth at this time was one which contained a suggestion for a bank which should emit long term notes on security, the same to be paid in commodities.<sup>4</sup> Another advocated a resumption of

<sup>1</sup>The present melancholy circumstances of the province consider'd and methods for redress humbly proposed in a letter from one in the country to one in Boston. [Boston, 1719.]

An addition to the present melancholy circumstances of the province considered, &c., March 6th, 1718, 9. Exhibiting considerations about labour, commerce, money, notes, or bills of credit. [April 14, 1719. Boston, 1719.]

<sup>2</sup>The distressed state of the town of Boston, etc., considered in a letter from a gentleman in the town to his friend in the country. Boston, 1720.

<sup>3</sup>A Letter from one in the country to his friend in Boston containing some remarks upon a late pamphlet entitled "The distressed state of the town of Boston, etc." Boston, 1720. A letter from a gentleman containing some remarks upon the several answers given unto Mr. Colman's [sic] entitled "The distressed state of the town of Boston, etc. Boston, 1720. A vindication of the remarks of one in the country upon the distressed state of Boston from some exceptions against 'em in a letter to Mr. Colman. Boston, 1720.

The distressed state of the town of Boston once more considered, and methods for redress humbly proposed. With remarks on the pretended countryman's answer to the book entitled The distressed state of the town of Boston &c. With a schæme for a bank laid down and methods for bringing in silver money proposed. By John Colman, Boston [1720].

<sup>4</sup>Some proposals to benefit the Province. Boston, 1720.



specie payments upon a plan similar to the subscription loan which was attempted a few years later. Merchants were to borrow from the province public bills of credit and repay the province in silver.<sup>1</sup> The form of the bill which the writer proposed to emit is rather interesting since it states the value in proclamation money or rather in the standard established by the proclamation.<sup>2</sup>

A writer who believed that the prosperity of the country rested upon trade and that the amount of exports should exceed the imports in order that this should be advantageous, advocated the restoring and upholding of the public credit as a good way to end these controversies.<sup>3</sup>

<sup>1</sup> A project for the emission of an hundred thousand pounds of province bills in such a manner as to keep their credit up equal to silver and to bring an hundred thousand pounds of silver money into the country in a few years. [Boston, 1720.]

A series of satirical pamphlets was published in 1720 and 1721, the connection with each other being indicated by their titles. A part only of these publications has been preserved. The first of these was entitled *News from Robinson Crusoe's island* [1720]. It was followed by *Reflections upon reflections*; or more news from Robinson Crusoe's island. Another was called *New news from Robinson Crusoe's island*, in a letter to a gentleman at Portsmouth, Crusoe's island, printed in the year 1720. *News from the moon* [1720] is probably entitled to be classed in this series. The saddle set on the right horse, *Crusoe's Island*, 1721, was advertised at this time. Mr. Trumbull gives some account of these pamphlets in the Brinley Catalogue.

<sup>2</sup> This Indented Bill of Five Pounds due from the Province of the Massachusetts-Bay in New England, to the Possessor thereof, shall be in value equal to Silver Money at seventeen Penny half penny-weight, & shall be accordingly Accepted by the Treasurer & Receivers Subordinate to him, in all Publick payments, and may be Exchanged at the Treasury for Five Pounds in Silver at Seventeen Penny half pennyweight, on, or at any time after the First day of December which will be in the Year of our Lord, 1721, &c.

<sup>3</sup> Reflections on the present state of the province of Massachusetts Bay in general and town of Boston in particular, relating to bills of credit and the support of trade by them; as the same has been lately represented in several pamphlets. New England, 1720.

An advocate of paper currency set forth his opinions in 1720 in a letter to an eminent clergyman,<sup>1</sup> and another holding similar views demonstrated in 1721 that the evils of the situation were to be traced to the extravagance of the people.<sup>2</sup>

The Reverend John Wise of Chebacco came to the rescue of the friends of a private bank in a long pamphlet in 1721.<sup>3</sup> This year was also signalized by the publication of an extremely valuable tract which contains a great deal of information difficult to find elsewhere in print. The author, who is opposed to paper money, devoted himself to an historical investigation of the origin of the bills and to a discussion of their effects upon the prosperity of the province.<sup>4</sup> After this the activity of the pamphleteers temporarily ceased.

<sup>1</sup> A letter to an eminent clergy-man in the Massachusetts Bay, containing some just remarks and necessary cautions relating to publick affairs in that province, printed in the year 1720.

<sup>2</sup> A discourse showing that the real first cause of the straits and difficulties of this province of the Massachusetts Bay is it's extravagancy, & not paper money, etc. By Philopatria. Boston, 1721.

<sup>3</sup> A word of comfort to a melancholy country or the bank of credit erected in the Massachusetts Bay fairly defended by a discovery of the great Benefit accruing by it to the the [sic] whole Province; with a remedy for recovering a civil State when sinking under desperation by a defeat of their bank of credit. By Amicus Patriæ, Boston, 1721. The authorship of this pamphlet was identified by Mr. Trumbull in his *First Essays at Banking, etc.*, in New England. Another pamphlet entitled *A friendly check from a kind relation to the chief cannoneer, founded on a late information dated N. E. Castle William, 1720, 21*, was issued by the same author, being called forth by an attack on him in the form of an advertisement.

<sup>4</sup> The second part of *South Sea stock*, being an inquiry into the original of province bills or bills of credit, now in use in his Majesty's plantations, more especially in New England, with some thoughts relating to the advantage or hurt done by emitting the said bills. Boston, 1721.

## CHAPTER IV.

### THE CONTEST UNDER DUMMER AND BURNET.

Shute did not return to the province after his sudden departure in 1723. The representatives were correct in their conjecture that it was his intention to carry his complaints before the crown. It is not probable that he had any desire to renew the conflict on this side of the Atlantic. The responsibilities of the situation which he left behind him devolved upon the shoulders of Lieutenant-Governor Dummer, a man who thoroughly appreciated the difficulties with which he had to deal and who, while anxious to avoid conflict, was nevertheless desirous to carry out the royal instructions, under which the government was to be conducted. In the administration of affairs he found no relief either through the modification of these instructions or through any change of temper in the house. The representatives continued hotly to press their claims to control the disbursements made under the appropriations and were unwilling to pass any supply bill unless the same was so phrased that they could have a hand in auditing the accounts. In these contests they were accustomed to collate the various alleged misapplications of funds which they discovered in overhauling the accounts and publish them in the form of a series of what they termed "grievances".

In June of the year 1723, a resolve for the emission of twenty thousand pounds, so phrased as to cover the point above alluded to, was sent up to the council. The board passed the same but so amended as to restore

the power of supervising disbursements to the governor and council. These amendments the house rejected unanimously, whereupon the council voted to adhere to them. The representatives then passed an order that the whole question should be postponed to the next session, to the end that they might have an opportunity to submit the whole matter together with their list of grievances to the people whom they represented. To this the board replied that the postponement of the consideration of the supply of the treasury at a time when they were actually at war could not fail to be prejudicial to the interests of the province. They expressed surprise at the action of the representatives, the tendency of which was to keep up the misunderstanding between the board and the house, to misrepresent the action of the board to the people of the province and to subvert the very foundations of the government. They thought some amicable method could be devised to settle the difficulty and suggested a conference.

The representatives in reply expressed a willingness to furnish the treasury with a supply of money and claimed that the proposed restrictions and limitations were founded in reason; that the grievances which they had submitted were occasioned by violations of the authority conferred in previous appropriations; that the restrictions which they had imposed were in conformity with the powers granted to the General Court by the charter; and that it would have been a violation of trust not to have imposed them. They resented the language used by the board, asserted that they were ever ready to cultivate harmony between the two houses and concluded the discussion by sending up a new resolve for supplying the treasury. This resolve being still obnoxious in form was amended by the coun-

cil, and again the representatives unanimously rejected the amendments. In concluding the message announcing this disagreement, they stated that as they had done all that they could in consonance with security to the rights, privileges and estates of his Majesty's good subjects to procure an agreement on these points, and as there was no probability of its being accomplished, they were extremely desirous to have the court rise that day.

The board suggested that the house might at least make provision for what had already been spent under authority of that court, which could be done without leaving the disposition entirely under control of the governor and council and upon this basis, the representatives having carried their point, a resolve for the supply of the treasury was carried. In thus submitting, the lieutenant-governor and the council undoubtedly yielded what they regarded as prerogatives under the charter, rather than accept the perils which the representatives stood ready to incur in order to carry their point.

In 1727, the loans made under the £100,000 issue in 1716 matured. On the 1st of June, the lieutenant-governor called attention to the fact that he was instructed to take care that these loans should be retired and that the bills should be destroyed by May, 1728. He was also instructed, he said, not to approve any act for creating a paper currency without his Majesty's express leave for that purpose. On the 16th of June he showed his solicitude with regard to the £100,000 issue for loans, by requesting the assembly to make provision for the destruction of the bills which had already been paid in to the commissioners under the provisions of the act. On the 29th he approved a resolve authoriz-



ing the emission of £16,000 already in the hands of the treasurer, to be applied for current expenses.

Meantime, a committee on the bills of public credit had been appointed and had reported on the 22nd of June. In consideration of the distressed condition of the inhabitants of the province and in consequence of the scarcity of the bills, they recommended an emission of £50,000. These were to be acquired by calling in the bills in the hands of the commissioners which Dummer had just urged them to cause to be destroyed, and what was wanting to make up the £50,000 was to be furnished by the treasurer. The amount thus obtained was to be distributed to the towns, to be loaned to the inhabitants, and the interest on the loans was to be applied in support of the government. After six years the principal was to be paid in five annual payments of one fifth each. Provision was also to be made for the payment of so much of the £100,000 issue for loans as still remained outstanding, in ten annual payments of one tenth each. This committee was requested to prepare proper resolves to carry out the recommendations of the report. Dummer's request that they should cause the bills in the hands of the commissioners to be destroyed was thus met by an attempt to put them in circulation. His statement that he was instructed to see that the loans were retired was in turn met by a proposition to extend the time for their payment. He, therefore, sent in a message on the 5th of July stating that he would sign such a bill if a clause were inserted that it should not take effect until approved by his Majesty. This was accepted by the house for just what it meant and their reply to it was a postponement on the next day of the consideration of the tax bill to the next session. This

was followed by a discussion between the house and the lieutenant-governor on the question of the instructions which was concluded by the passage on the part of the representatives of a resolve which they knew would be ineffectual, authorizing the commissioners of the £100,000 issue for loans to let out any part of it which was in their hands. The lieutenant-governor was, perhaps, equally conscious that he was wasting his words when on the 18th of August he urged action towards bringing in these loans.

On the 25th of August, 1727, a contention began between the board and the house concerning the neglect of the house to make provision for calling in the issues of 1723-24. The board insisted that the promises then made should be redeemed and that it was the duty of the house to effect at once the legislation necessary for the purpose. Whereupon the representatives sent a message to the lieutenant-governor that having no business to transact they were ready to adjourn. To this, the lieutenant-governor replied next day that they had not passed a tax bill and that it was not for the honor of the province that they should adjourn. On the 28th the house replied to the message. They denied any knowledge of or responsibility for the engagements of a previous house. If any such were made under the supposition that they were for the benefit of the province and this house found that it would be detrimental to carry them out it was their duty to break such engagements. They then went on to say: "And whereas it seems to be the opinion of your Honours that the drawing in the bills at the time proposed is the only foundation of their credit, we cannot but be surprised thereat, since not one person of a thousand that takes one of them knows when it will be

called in, and yet very eagerly grasps all he can of them because he knows they will answer on all his private business and commerce, and also in all public payments as the Bill itself assures him, and that we take to be the reason of their credit and currency and not the promise of the Government when they are to be called in."

On the 30th of August the board took up the question of the necessity for legislation to redeem the promises made in 1723-24 when the issues of that date were made. They referred to the gross mistakes and misapprehensions of the house. They asserted that the board had justly and properly declared the engagements then made to be the "solemn promises of the General Court" and then said, "'tis, nevertheless, most true and will admit of no dispute that such as understand themselves and their interests in respect to these bills, do and must always value them in proportion to the punctuality that is observed by the government in calling them in at the times prefixed." The house made no answer to this, but sent a message to the lieutenant-governor that having no business they desired to rise.

On the 15th of December the opinion of the house was taken as to what it was their duty to do in the premises. Bills of credit had grown scarce and silver was sent to Great Britain, so that the funds for supplying the treasury in former emissions of bills of credit could not be answered and discharged by a public tax. Considering this condition of affairs, was it not the indispensable duty of the court to pass acts in conformity with the charter for the emission of enough bills to pay public dues without oppression to the tax payers? Would not the emission of a greater amount than was

necessary to discharge the debts of the government greatly tend to the public good? If this were not done would not the inhabitants be reduced almost to ruin? To all of these questions the house voted an affirmative reply.

On the 16th the board requested the house not to print the foregoing in their journal. They (the council) would take the matter up in a few days when they hoped there would be a fuller attendance of the members which seemed desirable for the proper consideration of the subject. This reply of the council was on the 18th referred to a committee by the house. On the 19th, the board non-concurred in the vote of the house on the foregoing questions, but stated that they were ready to join the house in issues of bills of credit which should be made in accordance with the charter and so framed that their value might be ascertained and properly secured. Before this proposition reached the house, the speaker in behalf of the committee to whom the request of the council that the house should not permit their action on the 15th to be incorporated in the published journal of their proceedings, had already reported. The house, this committee said, wanted to know whether the legislature would make more emissions. If the board should say no, then consideration of the matter was fruitless. As to the publication of what they had done, the house had no better way of showing the people whom they represented that they had been faithful in the performance of their duties. The message from the council was received by the house before this report was acted on but did not affect the result. The house being of opinion that the action proposed by the board was not of such a character as to alter their conclusions, adopted the report and sent it up to the council.

On the 10th of January, 1727, 28, the lieutenant-governor urged the representatives to take action on the appropriations. They replied that they had already passed resolves for the supply of bills of credit which had not been concurred in. There was no probability of an agreement being obtained so far as they could see and they, therefore, asked the lieutenant-governor to adjourn the court.

In order to secure relief from the supposed stringency of public bills and to reduce the complaints of the scarcity of money, a scheme was devised for fortifying a number of coast towns. The bills requisite for the purpose were to be issued and lent to the towns where the fortifications were to be constructed. Hutchinson calls attention to the fact that even 'Truro on the Cape was included in the list.'<sup>1</sup> After repeated disagreements between the board and the house the bill, authorizing emissions for this purpose, was finally passed on the 26th of January, 1727, 28. On the 26th the lieutenant-governor asked the council whether it was consistent with his instructions that he should sign the bill without a clause requiring its submission to his Majesty. The answer was in the negative.

As a part of the proceedings through which the passage of the fortification bill in the council had been secured, a resolve for the enforcement of the terms of the mortgages given to the commissioners of the £100,000 for loans was simultaneously passed. If the mortgage loans were not paid in instalments covering a three years extension of the loan they were to be foreclosed. This concession had been made by the representatives in the belief that it would secure the assent of the governor to the fortification bill. The refusal of the

<sup>1</sup> History of Massachusetts, [ed. 1795] vol. 2, p. 296.



council to advise him that he could consistently sign it prevented this consumation from being attained. On the other hand they did advise him that he could consistently with his instructions assent to the method of bringing to an end the £100,000 loan. This produced great feeling in the house. Meantime the lieutenant-governor as well as several of the council were dependent upon their salaries, and as no provision had as yet been made in this direction, he on the 28th of January called for the passage of the salary act. He had approved every act, he said, except the fortification bill. The question of bills of credit was involved in that, he would have signed it but the council were of opinion that this was not consistent with his instructions. On the 29th the house expressed "an Universal Surprising Concern" that the bill for whose birth the lieutenant-governor was himself responsible should have met with non-acceptance at his hands. They claimed that the instructions did not stand in the way of the passage of the bill and referred to the precedent in Governor Shute's time. "We cannot," they said, "but please ourselves, had a more general and proper question been put" to the council, that "they had given their advice to Your Honor to sign the bill." In consequence of this act of the lieutenant-governor's they felt obliged to refer other matters of consideration to the next session when, perhaps, something might be accomplished to relieve the people. If they should act now they would not be true to the trust reposed in them.

On the 30th the lieutenant-governor replied that he did not wish to protract the session and that they had done him injustice in suppressing in their published journal his answer wherein he had told them that he would adjourn the court whenever they should provide for the support of the government.

A temporary recess was then taken and on the 14th of February when the court was again convened, a committee was appointed to prepare a bill for the issue of a suitable sum of bills of credit. On the 15th an act was introduced for the emission of £60,000. This was so phrased as to avoid the obstacle placed by the instructions in the way of its approval. The house then made a formal reply to the lieutenant-governor's message of the 30th ult. They rehearsed the various resolves which they had passed to supply the government with funds and the resolve with reference to the fortifications to which they had agreed, all of which had proved ineffectual. They made an historical review of the various emissions of bills which had taken place and argued that under the charter the power was given them to pass such acts. They claimed that if the lieutenant-governor had taken into due consideration the language of the charter and the powers given him in his commission, in connection with the instructions, he might have signed the bill. They reviewed what had taken place and claimed that they were not open to censure.

The bill for the emission of £60,000 was then put through, but the lieutenant-governor on the 20th of February announced that he regretted that he could not sign it. He had asked the advice of the council but they had not thought proper to give him any more advice. He had the satisfaction of knowing that he had done his duty to his Majesty, at the same time that he had a sincere desire to have answered the earnest expectation of the house.

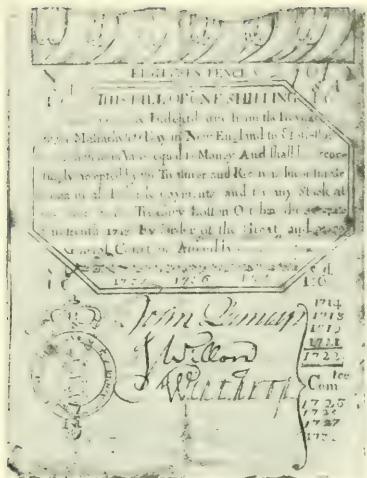
The house at once replied that the council which now refused to advise the lieutenant-governor had on the 26th of January been free with their advice and

they now requested the board to reconsider their action. This had the desired effect. A reconsideration was had by the council and a qualified approval of the bill given, sufficiently strong to serve as a defence for the lieutenant-governor in case he should be called to account for signing the bill. Dummer signed the bill February 21, 1727-28, and reported fully to the Lords of Trade what had taken place, saying that he conceived himself to be in a difficult and dangerous place.<sup>1</sup> The £60,000 emitted by this act were distributed among the towns in the same way as were the £50,000 emitted in 1721. The rate of interest on the loan was fixed at six per cent. which was to be paid to trustees. Two-thirds of the interest collected by the trustees was to be remitted to the province treasury—the balance was for the benefit of the towns. The bills were to be called in by taxes to be laid in the years 1734-38 inclusive.

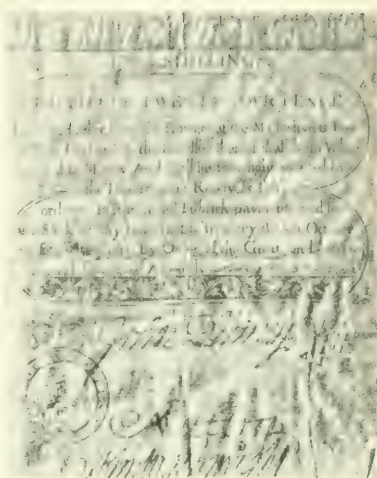
In the spring of 1728, Governor Burnet arrived in the province. He was a son of Bishop Burnet and had been governor of New York and New Jersey. He was an alert, quick-witted man, prompt to decide and quick to act. He was armed with the usual instructions as to salary, and was keen enough to convert the pompous demonstrations on his arrival into an argument that the province could afford to settle a suitable compensation upon the governor. There was much to hope for in the welcome with which he was received and had he been a man of different temperament it is quite possible that he might for a time at least have had a peaceful administration. His views as to the powers of the crown and the dependency of the colonies were, how-

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 2, p. 470.

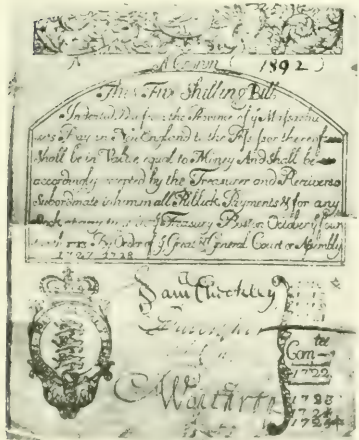
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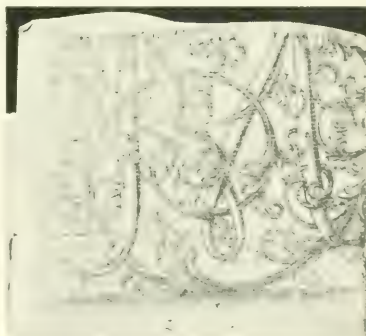
18d. bill, 1713 plates. Winthrop's signature, red. Number of bill, red. Photographed by permission of the Library of Harvard University. Size, 4 $\frac{1}{8}$  in. x 5 $\frac{1}{2}$  in.



2s. bill, 1713 plates. Second signature, red. Photographed by permission of the Massachusetts Historical Society. Size, 4<sup>1</sup>/<sub>8</sub> in. x 5<sup>1</sup>/<sub>8</sub> in.



5. bill, 1713 plates. Photographed by permission of the Library of Harvard University. Two lower signatures, red. Size,  $4\frac{1}{8}$  in. x  $5\frac{1}{2}$  in.



55. bill, 1713 plates. The pattern on the back is buff-colored.





ever, inconsistent with any such result and the arrogant manner in which he bore himself served to intensify the conflict and to widen the breach between the assembly and the royal governors.

During his entire administration, he was engaged in a controversy with the house and among the topics on which they differed the currency was one. On the 20th of August, 1728, he communicated to them the fifteenth instruction which had been given him. It was that "you do not give assent to or pass any Act in our Province of the Massachusetts Bay under your government whereby bills of credit may be struck or issued in lieu of money unless a clause be inserted in said Act directing that the same shall not take effect until the said Act shall have been approved and confirmed by us." September 17th in a message he accused the house of having used their power of withholding supplies "to compel the Lieutenant Governor unto a compliance." The fall of the bills of credit he attributed to the lack of a sufficient check on the part of the other branches of the government. To this the house replied on the 19th that the true reason of the decline of the bills was that they "were not made a tender in all payments whatsoever." As to the coercion of the lieutenant-governor they thought the council had upon deliberation changed their minds. On the 24th Burnet told the house that to extend the legal tender attribute of the bills would make them fall lower. "Liberty is the life of credit," said he, "and force its greatest enemy."

Burnet had from the outset been anxious to enforce that part of his instructions in which he was urged to secure for the governor a fixed salary instead of an an-

nual appropriation for services. He had recommended to the Board of Trade that the £60,000 loan be permitted to stand, provided the interest should be appropriated for the salary of the governor, and on the first of October he announced to the house that there was reason to apprehend that the bill would be disallowed. This was one of the last moves taken by the governor in the animated discussion concerning the fixing of his salary. He had already without effect advised them to take care that their proceedings did not bring the charter into danger. In this instance, the house had but little to fear from a disapproval. The bills had already been issued and there was no practical method in which a disallowance of the bill on the part of the crown could be enforced. On the 23rd of October the house declined to carry out his suggestion and on the 24th he adjourned the court to meet at Salem on the 31st where, as he said, "prejudice"—referring to the stand upon the salary question taken by the Boston Town Meeting—"had not taken root and where, of consequence, his Majesty's service would be better answered."<sup>1</sup>

He had expressed the opinion that the house had undertaken "to compel" Lieutenant-Governor Dummer "unto a compliance", and he soon found himself in a position where he could exercise powers of the same sort. No appropriation could become effective until he should sign it; the representatives therefore could not get their own pay except by his consent. April 18, 1729, when the court was dissolved, he said to the house, "You may be desirous to know why I have not yet signed an order upon the treasury for your pay, but if you consider that near a third part of the time of the

<sup>1</sup> Hutchinson's *History of Massachusetts*, [ed. 1795] vol. 2. p. 316.

sitting of the general assembly since my arrival has been rendered useless by your refusing to do the business of the province, it may justly appear doubtful whether the towns ought to bear an expense, the sole end of which was defeated for so long a time by that refusal, though I confess this does not relate to those members who were of another opinion."

At the next session of the court, a resolve was passed on the 4th of July, 1729, appropriating £20,000, the form used being the same as had been customary. This the governor disallowed, saying that he did not think it proper to consent to any form for the supply of the treasury but what was practiced before 1721, thus reviving the old contest of the days of Shute. The house replied that this question had been the source of many disputes between the two houses which had been prejudicial to the welfare of the province; that the form had been determined upon after many solemn debates and had been consented to by the commander-in-chief; and further they believed it to be conformable to the practice of parliament. At the next session an unsuccessful attempt was made by the house to put through a similar resolve in the same form but this time the council took up the battle and amended it, which resulted in its failure.

Burnet's death in September put a stop to the quarrel. Notwithstanding his persistent efforts to carry out his instructions to the letter and the uninterrupted hostility of his relations with the house of representatives, he was honored and respected by them and the ceremonies of his burial were as pompous as those of his reception by the province.

After his death Dummer again assumed control of the government. The contest over the questions

which Burnet had raised were still possessed of much vitality but Dummer was more compliant in his nature and the conflict between the lieutenant-governor and the General Court was not so violent.

During the period which we are now considering the hard-money men began a struggle for the resumption of specie payments which shows itself in the records of the legislative proceedings of the province from 1728 to 1739 inclusive. The culmination of the struggle in 1738 and 1739 was characterized by defeat under circumstances which must have made it particularly hard for them to bear, because it is evident that they were hopeful of success. The details connected with the attempt at this later date will be considered in their chronological order in the narrative. Mention of the affair is made here simply because in the vague and shadowy outline which we obtain of certain events which took place in 1728 and 1729 we can trace the beginning of a movement which at a later date can be followed to the minutest detail of performance.

In February, 1727-1728, a committee was appointed to receive and consider, in the recess of the court, any scheme for retrieving the value of the bills of credit or for making a suitable provision for a medium of trade, and this committee was authorized to take subscriptions of any persons for the fulfilment of such scheme or schemes, and make report thereon.<sup>1</sup>

December 20, 1729, a bill which had been introduced some days before, entitled "An Act for retrieving and ascertaining the value of the Bills of Credit on this Province" was read a second time, and it was ordered that the bill should be printed with the amendments then made, and that the further consideration thereof

<sup>1</sup> Mass. Court Rec., vol. 14, pp. 47, 48.

be referred to the next session of the court and that in the meantime a committee should take subscriptions of such gentlemen as were willing to subscribe as undertakers in that affair and report to the court thereon. The pages of the house journal do not indicate the nature of these subscriptions, but in 1736 a pamphlet was published in which a scheme was propounded for the emission of bills, the value of which should be expressed in a fixed rate of silver, which bills were to be loaned to merchants, the borrowers to repay their loans in silver.<sup>1</sup>

In this pamphlet the author states that the scheme which is therein advocated had already been submitted several times to the consideration of the assembly. As if to help us in determining the actual character of these two attempts to secure subscriptions for the purpose of retrieving the value of the bills of credit, we find the name of Thomas Hutchinson, the father of the governor, on each of the committees appointed to receive subscriptions. It is not perhaps assuming too much to say that the schemes advocated by Thomas Hutchinson, senior, which were submitted in 1738 and the spring of 1739, for securing a return to specie payments, through loans to merchants, of bills valued at a fixed rate in silver, which loans were to be repaid in coin, probably represents what was attempted in 1728 and 1729.<sup>2</sup>

<sup>1</sup>A letter to a member of the honourable house of representatives, etc., etc., 1736. There is good reason to attribute the authorship of this pamphlet to Governor Hutchinson. See my paper entitled A search for a pamphlet by Governor Hutchinson, read before the Mass. Historical Society, February, 1899.

<sup>2</sup>The first trace that we get of legislative action in this direction is in 1728, but it will be remembered perhaps that in 1720 a pamphleteer propounded a scheme for bringing in silver to the Treasury through loans which should be paid in coin. A project for the emission of an hundred thousand pounds of province bills, etc., etc. [Boston, 1720.]



The discussion after 1741 was mainly devoted to questions relating to the currency. In 1743, there was a notable contribution to it in the form of an inquiry into the state of the bills of credit, which was written by some person thoroughly familiar with the subject.<sup>1</sup> The pamphlet contains much valuable information not otherwise accessible.

The inclusion of Massachusetts and Connecticut in the denunciations against Rhode Island led a writer to enter upon the discussion in 1744 for the purpose of protesting against it.<sup>2</sup> His pamphlet has but little value. These publications did not entirely cease even after the adoption of the plan for resuming specie payments.<sup>3</sup>

<sup>1</sup> An enquiry into the state of the bills of credit of the province of the Massachusetts Bay in New England in a letter from a gentleman in Boston to a merchant in London. Printed in the year 1743. There is reason to believe that a title which appears in some of our catalogues, Thoughts upon the state of the paper currency in New England, does not in fact refer to a separate publication, but is merely an alternative title for An enquiry, etc.

<sup>2</sup> A letter from a gentleman in Boston to his friend in Connecticut, Boston, 1744. While the pamphlet has but little value it puts us upon the track of a publication entitled Heads proposed for an act of parliament, to regulate and finally suppress paper currencies in the provinces and colonies of Massachusetts Bay, New Hampshire, Connecticut and Rhode Island, in New England in North America and to ascertain their currencies in all times coming, which was obviously from the pen of Dr. Douglass.

<sup>3</sup> A writer who was opposed to this plan but had one of his own, disclosed it in 1748 in A word in season to all true lovers of their liberty and their country; both of which are now in the utmost danger of being forever lost. By Mylo Freeman, &c., Boston, 1748. Another, in 1749, reviewed the situation in A brief account of the rise, progress and present state of the paper currency of New England, etc., etc., Boston, 1749. A third proposed to apply £100,000 in silver to the reduction of the currency, and leave £800,000 O. T. for currency.—Some observations relating to the present circumstances of the province of the Massachusetts Bay; humbly offered to the consideration of the general assembly, Boston, 1750. Another would retain what silver was left in the province treasury. He would pay current expenses of the govern-

ment in coin and to meet the emergency would levy the taxes in silver. He proposed that a bounty should be granted to every young couple who should lawfully marry and settle in the province and that a reward of twenty pounds should be paid to them on the day after their first male child was christened. He did not object to the circulation of the bills of the neighboring governments if at a discount.—Massachusetts in agony: or, important hints to the inhabitants of the province: calling aloud for justice to be done to the oppressed; and avert the impending wrath over the oppressors. By Vincent Centinel, Boston, 1750.

## CHAPTER V.

### THE CURRENCY, 1702-1730: DEPRECIATION AND REMEDIAL LEGISLATION.

The revival of the bank controversy which again attracted public attention in the third decade of the century seems to have been due to the conditions under which the province bills were put forth after 1730. For a better appreciation of what the changes were which then took place, and for a clear understanding of the causes which led to them, a review of the history of the currency issues is essential. The depreciation had by this time called forth a volume of remedial legislation and propositions for laws, so great that their consideration at this point is also forced upon us. In a general way, a statement might be made in a few words which would comprehend the events during the period and fix the responsibility for the results with reasonable judgment. The task of analyzing the details of these events is full of difficulty and the prospect of reward through the discovery of new material which shall throw light upon the subject is slight indeed. Nevertheless it would be an evasion of an obvious duty in the treatment of the subject to accept, without further effort, the conclusions of such writers as Hutchinson and Douglass, and it may, perhaps, be a satisfaction if we shall discover at every turn precisely the results that might have been predicted from surrounding conditions.

Up to 1702, the annual issues and re-issues of the colony currency were accompanied by a statement in the several acts authorizing them, that "the present tax," that is, the tax of that year, was a fund for the retire-

ment of the bills. In 1702, the practice was begun of postponing the time for levying the tax through which the bills should be called in. At first it was for one year. In 1704, the retirement of a part of the issues was carried forward to two years. In 1707, the time was lengthened to three years. In 1709, a part of the issues were not to be provided for until five years had elapsed. In 1711, the limit reached six years, and in 1714, another year was added. In this manner the dates for levying the taxes which were to retire the bills were from time to time postponed until 1722, when £6000 were issued not to be called in for thirteen years. Then an effort was made to cure this evil, and for a brief time short periods were assigned for retirements. These, however, were again lengthened, until, in 1730, £13,000 were issued which were not to be called in until 1741. In addition to this, the representatives in 1715, refused to make provision for calling in all the bills which by the terms of the funds established when they were issued, then matured, and after a prolonged struggle carried their point and postponed the retirement of a part of the issue seven years longer.

The effect of the redundancy of the currency ; of the postponement of the dates at which provision was to be made for calling it in ; and of the failure to abide by the terms of the acts of issues, is shown by the course of sterling exchange and by the movement of the price of silver. It is important, however, to bear in mind that quotations are invariably given in terms of "lawful money."

The rates of silver covering this period are to be found in the draft of an "act for the regulating, ascertaining and fixing the value of the bills of publick credit and for rendering the payment of debts more equitable and thereby to prevent any oppression or injury to debtors or

creditors."<sup>1</sup> This act was introduced and read twice in the council, but failed to pass. It is however equally available for our purpose.

Year.	Rate.	Year.	Rate.	Year.	Rate.
1710	8s.	1716	10s.	1722	14s.
1711	8s.	1717	10s.	1723	15s.
1712	8s. 6d.	1718	11s.	1724	16s.
1713	8s. 6d.	1719	12s.	1725	16s.
1714	9s.	1720	12s.	1726	16s.
1715	9s.	1721	13s.	1727	16s.

During the period of the decline of the notes the influence of the governors and of the council, especially after the decline became sufficiently pronounced for them to recognize the causes, was as a rule on the side of conservatism. They had no remedy to propose, but the governors in their speeches repeatedly pointed out the evils which would arise from failure on the part of the assembly to call in the notes at the appointed time, and the council many times refused to concur in bills which postponed these retirements. The effect upon those who were depending upon fixed incomes payable in current funds very soon manifested itself, and in a similar way the post office department was affected. Its charges were fixed and no compensation was possible for the loss occasioned by the decline of the currency. In 1713, the department complained to the Board of Trade that it could not get its dues for this reason.<sup>2</sup>

The governors not infrequently pointed out that the allowances made them for their services ought to be in-

<sup>1</sup> Felt gives this list, *Historical account Mass. currency*, p. 83.

<sup>2</sup> Board of Trade Journal, quoted by Palfrey, *History of New England*, vol. 4, p. 332. The post-master general soon complained to the lord-treasurer "of the loss which that branch of her Majesty's income in North America is like to suffer, by the currency of paper bills." Chalmers' *Introduction to the history of the revolt of the colonies*, vol. 1, p. 320, or p. 346 of the reprint, Boston, 1845.



creased proportionately to the diminution in the purchasing power of the bills, and the members of the board and of the house took care that their own per diem pay was suitably adjusted. "I own some part of this community can fence against this evil," said Governor Shute in 1716, "and ward it off from themselves by advancing their commodities, but the other part must unavoidably suffer. All rents must fall of consequence, and what will your ministers do, who are highly worthy of their salaries, how heavily it will fall upon them and their families, when what they are paid in grows low in value and their necessities in life are daily advancing."

Hutchinson writing concerning affairs in 1720, says: "The depreciation was grievous to all creditors, but particularly distressing to the clergy and other salary men, to widows and orphans whose estates consisted of money at interest, perhaps just enough to support them, and being reduced to one half the former value, they found themselves on a sudden in a state of poverty and want. Executors and administrators, and all who were possessed of the effects of others in trust, had a strong temptation to retain them. The influence a bad currency has upon the morals of the people is greater than is generally imagined." <sup>1</sup>

The clergymen of the province felt keenly the effects of the depreciation and an occasional reference in a published sermon shows that they introduced the subject in the pulpit. The following quotation will illustrate their method of treatment. <sup>2</sup>

"Is not the depreciating the bills of publick credit matter of provocation?"

<sup>1</sup> History of Massachusetts (ed. 1795), vol. 2, p. 210.

<sup>2</sup> An answer to some cases of conscience respecting the country, by Solomon Stoddard, A. M., pastor in Northampton. Boston, 1722. p. 3.

*Answer.* It must needs be, for great wrong is done to many persons who have received them according to their denominations ; and have been forced to put them off as if they were of less value. Some men are able to help themselves, by getting greater wages for their work, and advancing the price of what they bring to the market ; but others have been great sufferers by this practice ; and if ever the bills are called in ; such as are in debt, either to the publick, or to particular persons, will be great losers. It may be some of them will be undone thereby. The temptation to the merchants was to get the money into their own hands, that thereby they might make returns to England. They would give thirty shillings in bills for twenty in silver.”<sup>1</sup>

In a discourse preached on fast day, January 1747-48, the Rev. Nathaniel Appleton referred to the effect of the depreciation of the currency upon incomes and salaries. He pointed out how it affected officers and soldiers, widows, fatherless children, school masters, priests, the Lord’s ministers and many others who live upon stated salaries. What he said about widows has been often quoted but will bear repeating : “ Is there not the cry of *many widows*, who have taken up with a certain sum, or income, in paper bills, instead of their *dower* ; that the value thereof is sunk in such a manner, and will purchase so much less of the necessities of life than at first, that they are brought into great difficulties for a living ; and can get no redress.” This sermon was published<sup>2</sup> and in a note the author pursued the subject as follows :

<sup>1</sup> Lindsay Swift in his paper on the election sermons read before the Colonial Society of Massachusetts in December, 1894, refers to several election sermons in which the topic was discussed. Publications of the Col. Soc. of Mass., vol. 1, pp. 417-418.

<sup>2</sup> The cry of oppression where judgment is looked for and the sore

"I am credibly informed of an ancient widow, whose husband died more than forty years ago, who had *three pounds* a year settled upon her, instead of *dower*; which *three pounds* would at that day, and at the place where she lives, procure toward her support, the following articles; viz: Two cords of wood, four bushels of Indian corn, one bushel of rye, one bushel of malt, fifty pound of pork and sixty pound of beef; which would go a considerable way towards the support of a single woman. Now she can at most demand but *seventeen shillings and three pence*, new tenor; which is but about an eight part of her original three pounds; and be sure won't purchase more than half a quarter of the above necessities of life; and this she must take up with, because there is no remedy in the land for her. And this is, in measure, the deplorable case of many widows in the land."

On the 14th of January, 1725, 26, Warham Mather enclosed in a letter to Judge Sewall an argument against the emission of more paper money.<sup>1</sup> The author of this document classifies the sufferers from the inflated currency under seven headings: 1, ecclesiastical men; 2, orphans; 3, demandants on bills and bonds; 4, merchants having book debts; 5, lessors on long leases; 6, public officers; 7, the whole country.

During this period a practice was established of paying laborers in orders upon shops. This was nominally based

calamities such a people may expect from a righteous God: illustrated in two discourses from Isaiah, V. vii, on January 28th, 1747, 8, which was set apart by the government for fasting and prayer, etc., etc., etc. By Nathaniel Appleton, A.M., Pastor of the First Church in Cambridge. Boston, New England, 1748, pp. 34, 35.

<sup>1</sup>Address in opposition to issuing more paper money. A speech without doors touching the morality of emitting more paper-bills. Sewall's Letter Book, vol. 2, Coll. Mass. Hist. Soc., 6 series, vol. 2, pp. 235-239.

upon the stringency of the currency and while it was in its infancy did not attract much attention. At a later date these orders, although the volume of them never could have been large enough to have seriously affected the currency, were still sufficiently in evidence to be christened "shop notes," under which title they are frequently alluded to. The writer of a pamphlet in 1720 refers to "men who turn poor laborers and tradesmen off with one half or two thirds goods," showing that the process was then sufficiently pronounced to attract attention.<sup>1</sup>

The town of Boston in a petition to the governor<sup>2</sup> December 29, 1735, complains that the abundance of European goods imported "exposed the inhabitants to appear in extravagant garbs, who would gladly avoid the same were they to receive money in lieu of their labor, manufactures and trade." The petition goes on to state that "they can not be paid but by notes on shops, which can not be avoided though allowed to be very pernicious."

Douglass, writing in 1739 concerning wages, says that they are reduced by obliging the laborer "to take one half in shop goods at 25 per cent. or more advance above the money price."<sup>3</sup> Another writer refers in 1740, to a pernicious practice and cheating method of substituting drafts on shops in the place of a medium to pay artificers and poor laborers.<sup>4</sup> The caulkers in 1741

<sup>1</sup> A letter from one in the country to his friend in Boston containing some remarks upon a late pamphlet entitled *The distressed state of the town of Boston*. Boston, 1720, p. 3. The author of *Second part of South Sea stock* says the same thing, p. 16.

<sup>2</sup> Boston Town Records, 12th report record commission, p. 121.

<sup>3</sup> A discourse concerning the currencies of the British plantations in America, etc., p. 23.

<sup>4</sup> A letter from a country gentleman at Boston, etc., etc., 1740. p. 4.

alleged that they had for "many years labored amid great inconvenience and had suffered much damage, wrong and injury, in receiving pay for their work by notes on shops for money or goods."<sup>1</sup>

One incident that occurred in the summer of 1711, is of interest in connection with the phase of the subject which we are now discussing, not only because we can obtain through its examination the details concerning a temporary loan of public bills effected at that time, but also because it furnishes us with one of the official statements of the rate of exchange, which we are enabled to pick up from time to time. General Hill and Admiral Walker were about to undertake a joint expedition against Quebec. The combined forces of the army and navy were compelled to lay in supplies in Boston. The amount required was so great that all New England could not furnish it and prices rose in response to the demand. The first effort of the government was to check this by legislation and an order was passed "that no provisions, liquors or other things necessarily demanded for the service be any ways enhanced in the price thereof by reason of that occasion, but be had and taken at the ordinary market prices they stood at, at the time of the arrival of his Majesty's ships, the eighth current, with certain intelligence of the said designed expedition." It was proposed to pay for what supplies could be procured with bills of exchange on the Victualling Board, but the pay masters were unable to come to terms with the merchants of Boston. The governor and council were consulted and Sewall in his diary gives a quaint account of the meeting at which this consultation took place, entering into details as to the position at the table of the

<sup>1</sup> News Letter No. 1926. February 19, 1741.

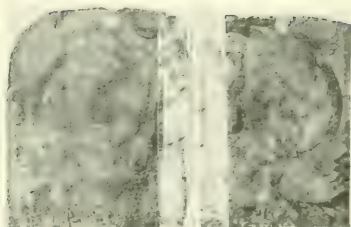
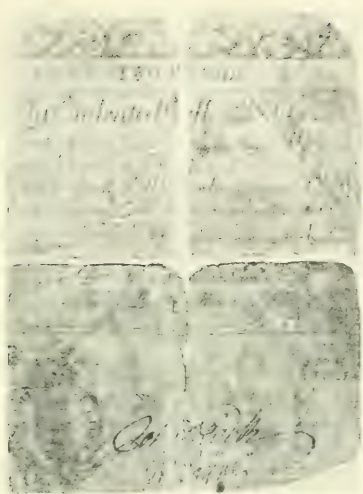


governor, the general, the admiral, the paymaster and the secretary, which bring the scene vividly before the reader. At this meeting the "Admiral had sharp discourse about the merchants offering but twenty per cent. for exchange," and "threatened to be gone somewhere else with the forces." On the representation of the paymaster general the council voted to loan two thousand pounds, but Sewall was not content with this action. He thought the motion should come from the general, which was conceded, and on the motion of the secretary the transaction was reduced to writing. This account of the meeting winds up with a statement that the "vote called for was in the presence of the above mentioned gentlemen," from which it may be inferred that the council were perhaps influenced by their presence which may have operated as a pressure to produce favorable action.<sup>1</sup>

It is difficult to conceive how the council could have loaned the two thousand pounds referred to by Sewall. Perhaps the vote was merely initiative and subject to confirmation by the representatives. At any rate this amount was certainly inadequate for the needs of the expedition and it appears from documents in the archives that the government was practically unable to do anything until the General Assembly should be in session. When the Court met the matter was arranged by a loan of bills of credit for two years to a number of Boston merchants who furnished the supplies, taking their pay in sterling bills of exchange, the rate of which was fixed at an advance of 40 per cent. The loan effected upon this occasion was in two instalments. The names of the subscribers to the first instalment of £40,000 are

<sup>1</sup> Sewall's Diary, vol. 2, Coll. Mass. Hist. Soc., 5 series, vol. 6, p. 317.

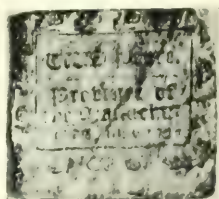
PLATE 7.



This bill for £2 bears date 1714, and was emitted after 1721, the date of the emission being indistinct. The bill is discolored and much reduced in size by wear and trimming. It now measures  $3\frac{3}{8}$  in. x  $4\frac{1}{2}$  in. Photographed by permission of the Massachusetts Historical Society.



Size,  $1\frac{1}{2}$  in. in diameter.



Size,  $1\frac{1}{2}$  in. square.



Size, 9 in. in diameter.

Parchment tokens emitted in 1722. Photographed by permission of the Library of Harvard University.



enrolled upon the court records and on the twentieth of July the members of the committee who obtained the subscriptions were publicly thanked. On the twenty-first a resolution was passed authorizing a loan of £10,000 more, on the same terms, and it is in this second instalment that the rate of exchange is fixed at an advance of 40 per cent.<sup>1</sup>

This transaction not only furnishes us with a rate of exchange, but gives us the details of a subscription loan. The recording the names of the subscribers on the court records indicates that patriotic motives influenced them.

The £50,000 loaned at this time should have been returned to the treasury in 1713. The ability of the merchants who had borrowed the bills, to meet the obligation thereby incurred, rested upon the manner in which the exchange drawn by them upon the home government should be met. Payment of the exchange thus drawn was not fully made for several years and the issue of 1711 was in consequence kept out for some time beyond the period when by their terms the loans matured.

Notwithstanding the fact that this unusual quantity of bills was in circulation in 1714, there was an apparent stringency of the circulating medium which led to a controversy as to the best way of relieving it. Certain persons wished to organize a bank of issue which should lend its notes at interest upon real security, others wished the province to perform this function and re-

<sup>1</sup>The foregoing is set forth in Mass. Court Rec., vol. 9, pp. 118, 129, 134, 135, 137, 138. See also *A journal or full account of the late expedition to Canada, etc.* By Sir Hovenden Walker, Kt. London, 1720.

The exact amount loaned at this time is said to have been £48,623, 16s. 8d. An enquiry into the state of the bills of credit of the Massachusetts Bay in a letter from a gentleman in Boston to a merchant in London, 1743, p. 6.

ceive the benefit of the interest on the loans. The details of this controversy between what were then termed the private and the public bank are voluminous and would require for their narration more space than can be given here.<sup>1</sup> It is enough for our purpose to say, that the policy prevailed of effecting relief for the supposed want of a circulating medium through the issue of £50,000 in public bills which were loaned to the inhabitants of the province on real security. It was stated in the preamble to the act through which this was accomplished, that the public bills of credit had long and happily supported the government in the long and expensive wars with the French and Indians; that they had served as a medium of commerce in the business of of the province and had greatly facilitated the payment for goods imported from Great Britain and other places, but they had now grown scarce and few of them were passing in proportion to the demand for the same, whereby payments of all sorts were hindered and business obstructed. It was to afford relief for these difficulties as well as to prevent the inconveniences that might arise through any private projections for providing some other medium of exchange, that the issue was to be made.

The superintendence of the lending of these bills was lodged in the hands of trustees who were to attempt a geographical distribution of the loans proportioned to the amounts contributed by the several towns to the public tax.

Some idea may be gained with regard to the effects produced by the steady depreciation of the bills through an examination of the remedial legislation proposed or

<sup>1</sup> They are to be found in Part II which treats of banking.



actually passed during this period. As early as 1697, it was noticed that the precious metals were leaving the country and an act was passed to prevent the exportation of money or bullion. Another feature was the exodus of the copper money, to remedy which individuals intervened and stamped and emitted pieces of brass and tin at the rate of one penny each. This was forbidden by the General Court.<sup>1</sup> By 1706, the decline had become sufficiently pronounced to call for the appointment of a committee by the council to consider ways and means for supporting the credit of the public bills and methods for the payment of soldiers and others without the further use of certificates. The labors of this committee came to naught, the house not being willing to accept its conclusions, but the radical difference between the views of the two bodies on one of the recommendations is worth noting as a sign of the times. One of the troubles recognized by the council was the circulation of the debentures or certificates issued to soldiers and seamen, and this they wished to stop. The house not only refused to join them in this, but passed an order that a bill be brought in to make them pass as formerly. In 1718 an act for prohibiting the exportation of money and bullion was carried through to the point of engrossment, and in 1720, a bill was introduced for "prohibiting the selling and buying money at greater rates than they were set at and ascertained by an act of parliament." No conclusion was then reached but the bill was again brought up in 1721 when it failed of passage.

The dependence of the community, upon the bills of credit as a medium for the settlement of debts had become so great by 1712 that it became necessary to clothe

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 1, p. 445.

them with a quasi legal tender function. It was then enacted that a tender of payment in bills of credit should prevent the issue of an execution. It was evidently thought when the act was passed through which this was accomplished, that the situation was one for which there would be relief in the near future, for this law was only temporary in its operation. When by its terms it expired, it was succeeded by another temporary enactment of the same nature, and this by another, and so by successive acts this quality was maintained until October, 1741. The cause for this act is directly attributed by one writer to the £50,000 loan of 1711. The effects of so large an issue were, he says, "that silver began to be hoarded by some, and exported by others in large quantities, and the bills became the only measure and instrument by which all private trade and dealings were regulated and managed."<sup>1</sup>

In 1720, the evil of the redundant circulation was recognized as one for which no one government was exclusively responsible and for which no remedy would be available which was not participated in by all the governments of the New England colonies. A committee was appointed which was composed of individuals from each of the New England governments, to whom the subject was referred for recommendations. They reported that there ought not to be any more loans; that no more bills ought to be issued each year than were sufficient to meet the charges of the governments and that these should be invariably called in according to the terms of the acts under which they were issued. These recommendations, as far as they went, were beneficial in their

<sup>1</sup> A brief account of the rise, progress, and present state of the paper currency of New England, etc., etc. Boston, 1749. p. 4.

nature and if they had been squarely adopted would have greatly ameliorated the situation.

The decline of the currency was, of course, in favor of the debtor class. In the first thirty years of the century the discount had reached about forty per cent. Traders were accustomed at that time to give long credits, and a variety of questions must have arisen between creditors and debtors as to the rate at which payments were to be applied when the latter were sluggish in meeting their obligations. Notwithstanding the attempt in 1712 to confer upon the bills the qualified legal tender function, it is obvious that the tradesmen resisted payments of old accounts in currency which was of less value when the payment was made than when the debt was contracted. In 1716, a proposition was made to the house which was doubtless intended to have some influence upon this question. A clause was attached to a report on one of the proposed bills for emitting currency, to the effect that a bill be drawn that all debts contracted after the publication of this act, should carry interest after one year from the time that they were contracted. The attempts of the tradesmen to protect themselves against loss on their long standing accounts through the continuous course of depreciation on the part of the bills raised a protest in 1718, against what was termed double payment and an attempt was then made on the part of the General Court to reduce the probability of controversies on this point by the passage of an "act for the regulation and limiting credit in trade and for preventing double payment of debts." For the space of five years from the passage of this act, the statute of limitations in so far as it applied to ordinary debts and book accounts was curtailed to two years. We may infer that this

remedy was not favored by either debtors or creditors. The man who required credit was not likely to approve of any legislation the tendency of which was to restrain his capacity to run in debt. The tradesman who had been in the habit of carrying a load of open accounts with men who were slow in making payments must have found the curtailment of the life of debts and book accounts a serious interference with his business. It is not surprising, therefore, to find that at the expiration of the limit of the act, in 1723, the Boston merchants petitioned the court not to renew it. A new act was then passed which gave creditors three years more in which to collect their debts. When this act expired, matters reverted to the former custom under the statute of limitations. An attempt was made in 1727 to remedy the evil in another way. An act was then introduced "for the regulating, ascertaining and fixing the value of the bills of publick credit and for rendering the payment of debts more equitable and thereby to prevent any oppression or injury to debtors." Although this did not become a law, the measures therein proposed indicate that the community was still urgent for relief, through legislation, from the evils which the act of 1718 had failed to cure. In the preamble of the proposed law, it was stated that the bills of public credit were the only medium of exchange; that they ought to be of certain and unalterable value but experience had shown that since 1710 they had varied in value from time to time and that in a like manner similar changes might be expected in the future. In consequence of this, creditors had been and might be "prejudiced in their just dues", and debtors might be oppressed. As a remedy for these evils it was proposed to determine the rates at which silver had been valued, from year to year,

beginning with the year 1710 and ending with 1727. Debts were to be made payable in bills of public credit and were to be estimated by means of the values fixed in this table, the date of the estimate being taken at the time of the maturity of the debt.<sup>1</sup>

While following to this point the various attempts at legislation for the adjustment of the differences between debtors and creditors which arose from the decline of the currency, we have necessarily passed the dates at which certain events should have been narrated, if it had been deemed important that they should be dealt with in exact chronological sequence. One of these, mention of which has already been made, was the introduction in the house, March 16, 1721, of a bill "for prohibiting the selling and buying of silver money at greater rates than they were set at and ascertained by an act of parliament." The parliamentary statute here referred to was the one which was passed for enforcing the proclamation by Queen Anne fixing the rates at which foreign coins should pass in the plantations. On the 15th of March, the governor had called the attention of the General Court to the depreciation of the bills of public credit and had urged some remedial action. The house replied to this part of the governor's speech on the 21st. They agreed with him that further emissions would depreciate the bills and they had, therefore, passed a bill prohibiting the buying, selling, bartering or exchanging silver at higher rates than those set in the act of parliament. "In our humble opinion," they added, "had such an act been made by the government at the first issuing out of the paper bills, they had to this day

<sup>1</sup> Mass. Arch., vol. 101, no. 473. Referred to by Felt in his *Historical account of the Mass. currency*, p. 83. The table showing the value of silver each year, 1710-1727 has already been given, p. 90.



been in equal value and credit to silver." The bills were at a discount of over fifty per cent. when this statement was made and the futility of legislation of this character was so apparent to the council that when the bill came before them the next day, they unanimously non-concurred in its passage.

June 17, 1724, a joint committee was appointed to consider of some proper method for retrieving the value of the bills of credit. The report of this committee, which was submitted November 17, is entitled to special consideration. They recognized the true cause of their troubles and were willing to adopt measures which would certainly have helped the situation. The lessening of the number of the bills was, they said, the best way to increase their value. One way to accomplish this was to offer borrowers under the £100,000 emission ten per cent. premium for all payments that they would make on the portions of this loan then outstanding. This £100,000 had been distributed in 1716, to the counties, to be loaned to citizens on mortgage security for the term of ten years. Some of the loans then made became permanent investments and as early as 1720, the probability that this was so was discovered. November 28 of that year, a resolution was introduced, in the preamble of which the following assertion is made: "divers persons have mortgaged their estates and taken bills under the £100,000 loan and have neglected to pay interest and allowed their mortgages to be sued out and some have offered to resign their titles showing that the lands mortgaged were not worth double the value of the loans." Such was the state of affairs which the committee wished to remedy by offering this premium, the operation of which would not only have tended to wipe out some of these doubtful debts but would simul-

taneously have reduced the volume of the currency. They also insisted that the General Court should raise by taxation each year an amount equal at least to the charge of the preceding year. As a means of preventing the increase of the currency, they recommended that instead of issuing twenty thousand pounds in bills of credit, the like amount should be borrowed from those in circulation for which they proposed that the province should pay eight per cent. per annum. Notwithstanding the apparent absurdity of the province borrowing its own promises to pay, it is evident that heroic measures of this sort would have produced a beneficial effect. This very step had, indeed, been taken in 1692 and was thought by some to have had influence in maintaining the bills of that time at par. The committee concluded their report with a recommendation in which they seem to have lost their balance. It was to this effect: "That some speedy care be taken to prevent the English half pence passing at two pence a piece as they now frequently do." This report was not adopted, but the last clause brings before us the "great inconvenience" alluded to by the council in June, 1722, which arose, they said, from the want of small money for change, the copper half pence having been sent out of the province. Ill-minded persons, they added, had presumed to split and tear the new small bills of the province to the great dishonor of the government.

The amounts of the annual issues were largely influenced by the military situation. Immediately after the peace of Ryswick and for a time after the peace of Utrecht, there was no cause for apprehension of French attacks on Boston and no opportunity to organize expeditions against Port Royal or Quebec. Quiet, however, did not always prevail in the colonies when the relations

of Great Britain with France and Spain were of a peaceful character. The eastern Indians were restless and were easily incited to outrage. The necessity of occasional aggressive movements against them and the constant need of watchfulness involved the annual expenditure of large sums in excess of the ordinary needs of the government upon a peace footing. In the year 1723, twenty-three thousand pounds were issued; in 1724, fifty-five thousand pounds; in 1725, seventy thousand pounds; in 1726, twenty-five thousand pounds; in 1727, sixteen thousand pounds, and in 1728, in addition to the sixty thousand pounds which were then loaned to towns, forty-eight thousand pounds were issued to cover the various expenses to which the government had been put.

The extraordinary expenses which swelled the annual expenditures at this time were variously defined in the resolves as muster rolls of the eastern forces, expresses despatched for the government, the charge of Castle William and other forts and garrisons, the expenses of transports, and the muster rolls of soldiers and sailors. The war with the French of which the expedition of Sir William Phips against Quebec was an incident, was terminated by the peace of Ryswick in 1697, which was followed by the submission of the eastern Indians in 1699. Hostilities were resumed with the eastern Indians in 1703. There were expeditions against Port Royal in 1708 and in 1710 and against Quebec in 1711. From 1719 to 1726 there was constant necessity for vigilance or active measures against the eastern Indians.

Beside the temporary loan of fifty thousand pounds incurred at the time of the Quebec expedition in 1711, loans amounting to two hundred and sixty thousand

pounds<sup>1</sup> had been made, the most recent of which was the loan of sixty thousand pounds to towns in 1728. None of these loans was promptly settled. Some of them were made upon inadequate security and were never collected. It was feared, even before it was due, that the £100,000 loaned in 1716, would not be called in at maturity, and Shute called the attention of the Lords of Trade to the apprehensions that he had that proper steps would not be taken in May, 1727, for calling in the loans. An order was thereupon issued to Lieutenant-Governor Dummer to the effect that their Lordships expected that he would take care that these bills were called in and destroyed in May, 1727. Yet Douglass says that in 1739 some of these loans had not been sued out.

It will be noticed that in the table which has been quoted from the abortive act of 1727, in which the rate of silver is given for a series of years, the person who drafted the proposed act dates the beginning of the decline of silver so far as it seriously affected the adjustments between debtors and creditors in 1710. The selection of this year may have been influenced by the great increase of the currency in 1711, caused by the loan in aid of the Quebec expedition.<sup>2</sup> Other causes may also have contributed. About that time the General

<sup>1</sup> 1714	£ 50,000 direct.
1716	100,000 through counties
1721	50,000 " towns.
1728	60,000 " "

<sup>2</sup> "Whilst the sum [of the bills of credit] was small, silver continued the measure, and bills continued their value. When the charges of government increased after the second expedition to Canada in 1711, the bills likewise increased; and in the same or greater proportion the silver and gold were sent out of the country." Hutchinson's *History of Massachusetts* (ed. 1795), vol. 1, p. 357, note; see also vol. 2, pp. 187-188.

Court failed to make provision for some of the recent issues in accordance with the promises made at the time of the emissions. The confidence in the bills based upon the belief that they would be called in according to the language of the resolves under which they were issued received a blow, which, undoubtedly, affected the circulating value of the currency.

In 1720, the practice began of inserting in the resolves in which new issues were authorized a clause permitting tax-payers to settle the taxes which were to be laid at future dates for calling in the bills, in various kinds of produce. Many resolves were passed which did not contain this clause, but for several years, the majority of them contained a list of twenty-three articles which could be used in payment of taxes. It by no means followed that when the corresponding taxes were levied this clause would be incorporated in the tax act, but in October, 1727, this was done. This practice was temporarily discontinued, but afterwards revived, although the articles of produce receivable in payment of taxes were then limited to hemp and flax. Subsequently other articles were also included in the list to which this privilege was attached. The alleged object of these proceedings was because "through the scarcity of bills of credit it may be more easy for some persons to pay their taxes in produce of the province than in bills of credit."

Notwithstanding the obvious truth that a portion of the community were during the period of the decline of the public bills brought face to face with the fact that the purchasing power of their incomes was steadily diminishing, there are indications that there was in Boston at that time greater extravagance in the ways of life of many people and more display in the houses then constructed, than had theretofore been the custom. Note



was taken of these facts by the controversialists of the period and arguments were deduced therefrom whose character differed according to the position assumed in the discussion. June 26, 1719, a bill was introduced in the council and carried through to engrossment, for the purpose of preventing and discouraging the growing extravagance of the province. In 1721, an act was passed to retrench the extraordinary expense at funerals. At a time when the circumstances of the province so loudly called for all sorts of frugality, it was stated that the charge or expense of funerals had become so extravagant, especially in the giving of scarves, that it worked a great detriment to the province and tended to impoverish many families. For three years to give away a scarf at a funeral was made the subject of a penalty. In 1724, the act was continued in force for five years longer.<sup>1</sup>

It was the custom of the treasurers of the province to make a return of the bills outstanding at the end of May, in each year. Some of these returns have been preserved and from them we can ascertain the circulation of the bills at certain periods. Except for these returns we can only obtain approximate results. We can from the resolves authorizing the issues and the tax levies through which the funds were laid for calling in the bills, estimate the amount that should have been outstanding at any given date, but it is seldom that these estimates can be made to agree with such returns as we have at the hands of the treasurers. These were made by footing up the amounts which had passed out of the treasury, deducting therefrom the bills which had been destroyed as unfit for circulation, and adding thereto the

<sup>1</sup> It was revived in 1741 for five years and the ban was then placed upon gifts of gloves, wine, rum and rings as well as scarves.

five per cent. allowance and also all bills then in the hands of the treasurer. Apparently they do not include the loans, and it may also be noted that in some instances the treasurer makes a deduction for bills on hand. Throwing out of consideration shillings and pence we have returns showing £69,688 in circulation in 1709; £108,603 in 1711; £145,450 in 1712; £133,250 in 1713; £109,416 in 1717; £81,016 in 1718. From a report of the committee of the assembly we learn that in November, 1724, there were in actual circulation £191,530; this again would seem to require correction by adding the amount then outstanding, loaned to the inhabitants of the province. It is difficult to reconcile some of the above statements with the current legislation concerning emissions and retirements, although there are some points in which an estimate of the amount in circulation, based upon the legislation, does not vary much from the reports. The amount outstanding in 1730 was said to have been £164,755, 5s, 5d.<sup>1</sup>

<sup>1</sup> Enquiry into the state of the bills of credit, etc., 1743. p. 10.

## CHAPTER VI.

### ENFORCEMENT OF THE ROYAL INSTRUCTIONS DURING BELCHER'S ADMINISTRATION.

We have followed the discussions concerning the currency which had arisen between the governors and representatives through the administrations of Shute and Burnet, and have noted the perplexing situation in which Lieutenant-Governor Dummer, the temporary successor of each of these governors, found himself when the responsibilities of the government were thrown upon his shoulders. The stormy and impetuous career of Burnet had resulted in blocking the wheels of public affairs and change of any sort was welcomed. While agreement was impossible, pending the arrival of a new governor, conspicuous collision was avoided, both under Dummer and under Tailer, the newly appointed lieutenant-governor, who assumed charge of affairs prior to the arrival of the successor of Burnet.

The condition of affairs in Massachusetts was such that the gubernatorial commission was not at this period an object of much contest. Jonathan Belcher, a native of New England and a graduate of Harvard college easily succeeded in obtaining it, notwithstanding his previous record. He was trained in the ways of the court and could adapt himself to the passing political breeze. A man of wealth<sup>1</sup> and prominent among the

<sup>1</sup> Belcher is described as follows in an elegiac poem called forth by the death of his wife :

“ To you, o Fav’rite Man, the Pow’r supream  
Gives wealth, and titles, and extent of fame ;  
Joys from beneath, and blessings from above ;  
Thy Monarch’s plaudit ; and thy people’s love.”

To His Excellency Governour Belcher, on the death of his lady. An Epistle by the Reverend Mr. Byles. [Oct. 13, 1736.]

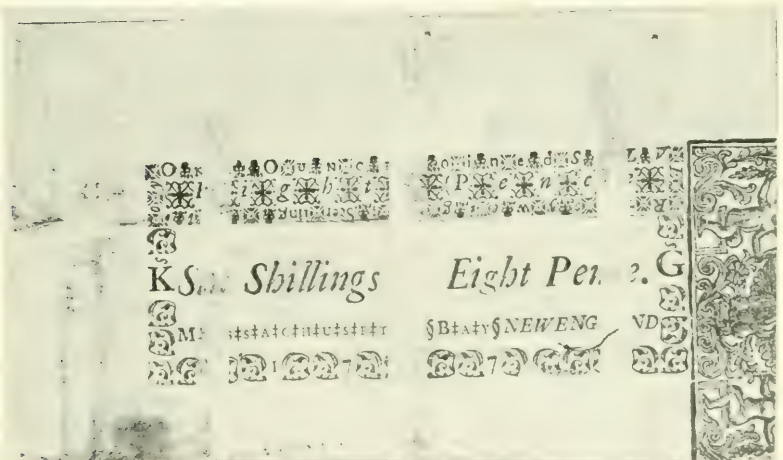
conservatives, he had, while in London, astonished his friends by acting as agent of the house notwithstanding its state of chronic warfare against the governors. As an applicant for the gubernatorial office he claimed that his citizenship would be an advantage and that his familiarity with the ways of the General Court would aid him in protecting the interests of the crown. While agent, he had, with his associate, Wilkes, signed a letter in which the following language was used: "Of what value is the Charter if an instruction shall at pleasure take away every valuable part of it? If we must be compelled to fix a salary, doubtless, it must be better that it be done by the Supream Legislature than to do it ourselves; if our liberties must be lost, much better that they be taken away, than we be in any manner accessory to our own Ruin."<sup>1</sup> Such language should naturally have brought him into disfavor, yet if it was known at court, it was overlooked and he was recognized as one who would sustain the royal prerogatives and who could be relied upon to enforce the royal instructions. His interest in local politics was shown by the fact that fourteen years before, he had contributed £500 to secure Shute's appointment as governor, which amount, according to Hutchinson was never repaid him.<sup>2</sup> Under the pretence that this expenditure had been made by him for the public good he had the audacity to petition the General Court for re-imbursement, but met with a deserved refusal.<sup>3</sup>

Belcher arrived in the province in August, 1730, and found himself confronted with trouble from recent instructions. One of the last things that Burnet had

<sup>1</sup> This letter was dated April 25, 1729, and was printed in the *Mass. Bay House Journal*, June 27, 1729.

<sup>2</sup> *History of Massachusetts* (ed. 1795), vol. 2, p. 329.

<sup>3</sup> *Mass. Arch.*, vol. 20, no. 182.



First new tenor bill for 6s. 8d. The middle signature is red. The value in silver and the gold rate are interwoven in the emblems composing the border on the back. Photographed by permission of the Massachusetts Historical Society. Size, 6 in. x 3 3/8 in.





done had been to write August, 27, 1729, that the effect of the instructions was being evaded by issuing bills of credit, not, as he said, by a law which would require approval, "but only by a resolve, that so his Majesty might not have occasion to disallow it according to the express words of the charter." In October of the same year, Dummer wrote that he had signed a resolve authorizing the issue of bills of credit, which, following the custom since the time of Shute, contained a clause submitting the disbursements to the whole Court. He explained that the necessities of the treasury compelled this and added that he thought the charter needed some explanation on this point. <sup>1</sup> These communications apparently aroused the Privy Council and the Board of Trade to a comprehension of what was going on, and instructions were thereupon issued that "no money be raised or bills of credit issued in that our province of the Massachusetts Bay, but by act or acts of assembly in which act or acts one or more clauses of appropriation may be inserted." The approval of the accounts and the issuing of the money or bills of credit were to be left to the governor and council, subject to the future inquiry of the assembly, as to the application of the money. <sup>2</sup> These instructions were communicated to the assembly by Dummer, May 28, 1730.

On the 9th of September, Belcher called attention to the fact that "exchange betwixt Great Britain and this province had risen in a few years from sixty to more than two hundred per cent", and on the 16th of December, he pronounced the bills of credit "a common delusion to mankind" and said they "must have an end

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 2, p. 222.

<sup>2</sup> Acts and Res. Prov. Mass. Bay, vol. 2, p. 574.

according to the periods set by your laws, as you will see by his Majesty's 16th and 18th instructions to me."<sup>1</sup> The time was fast approaching when the last of the loans made to towns in 1721 must be paid. A committee of the representatives answering this message on the 1st of January, 1730-31, said in reply to the suggestion as to the retirement of the bills, that they were dependent upon these bills together with others then extant to serve as a medium in trade, and they added, "The committee can't but look upon it as the bounden duty of this court to revive that act."

Including loans and bills of credit which matured that year, there were then outstanding upwards of £270,000 according to the terms of the resolves and acts under which they had been issued, all of which, therefore, would have to be provided for in the successive years thereafter up to and including 1741, the latest year in which any of these bills were to be called in. Meantime, the government was permitted to issue annually for current expenses £30,000, the idea evidently being that such issues were to be called in by the tax levy of the next year. It was apparently thought, that after the outstanding issues had been called in £30,000 would serve as a circulating medium for the province, as it was further provided that after the retirement had been effect-

<sup>1</sup> The 16th instruction was to the effect that he was not to give assent to any act whereby bills of credit were to be issued unless such act contained a clause requiring the approval of the Board of Trade before it should be operative. Annual issues to the extent of £30,000 were, however, permitted without this approval first having been obtained, provided they were made for the expenses of the government. Not more than £30,000 of such bills were thereafter to be current at any one time.

The 18th instruction directed the governor to take care that the bills be called in in accordance with the terms of the acts under which they were issued.

ed no more than £30,000 should be current at any one time. In his speech to the General Court, April 2, 1731, Belcher intimated that this instruction must be complied with. By the end of 1741, he said, all the bills of credit now outstanding must be paid into the public treasury. The £30,000 "in such paper bills" was totally inadequate for a circulating medium for the province and it is difficult to conceive how it could have been thought that in the absence of any silver or gold, business could be carried on with the value which this amount represented, even if it be supposed that it was rated at par. The representatives stated that they deemed it next to impossible that the necessary charges for the government should be defrayed with £30,000.

Important as this question was, it was overshadowed in the estimation of the representatives by the issue raised by Belcher's 30th instruction, which he communicated to them March 10, 1731. This was practically the same as the instruction which had been laid before the assembly by Dummer, May 28, 1730. Its presentation by a new governor meant that the disputed point of the control of the house over disbursements was to be decided through the agency of this instruction in behalf of the governor and council. The house did not yield without a struggle, but the governor told them that he proposed to carry out the instruction. "To give you the plainest understanding," he said, "I will inform you that for the future all accounts of service done for this province are to be brought directly to the governor and council, and to them only, for passing and paying." Appeals by the assembly in 1731 and again in 1732 were made to his Majesty in Privy Council for relief from this instruction. They were not decided until more than three years thereafter, when an order was

passed in the Privy Council declaring "the king's displeasure at these repeated applications upon points which had been already maturely considered and determined by his Majesty in Council."<sup>1</sup> It was further ordered by the Privy Council that no alteration should be made in the 16th and 30th instructions. A memorial to the House of Commons had been forwarded at the same time as the address to his Majesty for presentation to the house in case the address should fail. It met with a rebuff from the Commons even more pronounced than that administered by the Privy Council. They asserted that the complaint was frivolous and groundless, that it was an high insult to his Majesty, tending to shake off the dependence of the said colony unto this kingdom, to which by law and right they are and ought to be subject.

For three years after Belcher's arrival there were but two issues of bills of credit for the general expenses of the government, one of £13,000 just after he assumed charge of affairs and one of £6,000 the next year. £13,900 were, however, issued from time to time during the same period to the governor as an allowance for his services and to the assembly for salaries.

It is needless to go into detail as to the discussions which took place during the period when the government was left almost entirely without means for current expenses. A few examples will suffice.

The governor having urged the representatives to make some provision for the government, pending a reply to their address to the crown, they replied that his Majesty was accustomed to take his own time in making such replies and that it was their duty not to commit

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 2, pp. 701-703.



themselves. Meantime they called upon the selectmen of the towns for instructions.

The governor at one time informed the representatives that he was surprised that they should bring in a supply bill which did not conform to his instructions and added that they might rest assured he would not consent to that bill nor to any other of a similar nature. At another time he said to them: "I assure you I will not so much as enter into any argument with you whether I shall break his Majesty's royal orders in giving my assent to any other supply of the treasury than what his Majesty has directed to and such as is agreeable to the charter."

The representatives in their replies thought that the 30th instruction could be cured by legislation. If, however, the governor thought otherwise they conceived that there was no way to relieve the empty treasury except for his Majesty graciously to withdraw the instruction. Again, they voted that supplying the treasury according to this instruction necessarily tended to destroy the powers and privileges granted to the General Court by the royal charter.

Various supply bills were proposed and discussions of this sort were carried on between the governor and the representatives, as to his power of approval, he taking refuge behind his instructions and they asserting what they claimed to be their rights under the charter. One alone among these supply bills requires special attention. It fell to the ground in the conflict then raging, but it contains in the fixed rate for silver therein suggested the germ of the new tenor bill. March 15, 1730-31, Jacob Wendell and others, merchants of Boston, petitioned the General Court, asking them to issue fifty thousand pounds in bills of a new form to be loaned to merchants and

others, on real security at fifty per cent. of the valuation, to be repaid to the province treasury, one-fifth part each year for five years, at the rate of seventeen shillings per ounce of silver. If successful, more bills might then be issued. If not deemed advisable for the province to enter into the scheme, then the petitioners prayed for an incorporation so that they might carry on the affair in their private capacity.<sup>1</sup>

This petition was referred to a committee of both houses, of which Thomas Hutchinson, the father of the governor, was chairman, and on the 1st of June he submitted a report in behalf of this committee to the council.<sup>2</sup> The committee thought that the scheme would be of public benefit and, therefore, recommended the issue.

They fixed the rate of the bills proposed to be issued at sixteen shillings per ounce for silver and the bills themselves were to be redeemable at the end of five years in silver and gold. A bill was ordered to be prepared to this effect on the 10th of June and it is probably the one which was passed to be enacted in July, but to which the governor refused his assent July 20.<sup>3</sup> On receipt of information of this action on the governor's part, the representatives informed him that they had yielded all that they could without manifest prejudice to the rights of the people whom they represented and they, therefore, asked for a recess. The governor then consulted with the council as to whether he could, conformably with his instructions, assent to such a bill and also whether it was consistent with the safety of the province to permit the General Court to rise without some pro-

<sup>1</sup> House Jour. Mass. Bay, March 15, 1730-31. See also June 10.

<sup>2</sup> Mass. Court Rec., vol. 15, p. 82.

<sup>3</sup> A bill bearing the same title and for the same amount was passed to be enacted January 20, 1731-32. The governor refused his assent a second time February 2, 1731-32.

vision having been made for the support of the government. To both of these questions the council replied in the negative.

In submitting to the governor this and other supply bills, which by their terms infringed upon his instructions, it may be assumed that the assembly hoped that the governor would, as had happened before, find some loop-hole in the instructions which would permit him to approve the bills. Such is evidently the interpretation to be put upon their reply August 21, 1731, to a message, in which they say that "whatsoever mischiefs and inconveniences may happen to the province by the treasury's remaining empty may be attributed to the instructions as now understood and improved by his excellency" and by a vote of the council in February, 1731-32, wherein they earnestly desired the governor "to take such measures that he may be enabled to give his consent to the said bill as soon as may be."<sup>1</sup> Yet, even after it was evident that he did not intend to yield, the representatives refused to accede to the instructions, and in April, 1733, they said that by so doing they "would basely betray their trusts, recede from the sentiments given by their principals, act against their conscience and the light of reason," and in so doing "would give a wound incurable to our constitution." They also called the attention of the governor to the fact that when, as agent of the house, he represented them in England, he had not regarded their acts as disloyal and disrespectful. In June, 1733, the situation seemed hopeless, the governor rejected a supply bill with the assurance to the assembly that he should not give his assent to any bill projected in the manner of the one that he had under consideration and

<sup>1</sup> Mass. Court Rec., vol. 15, p. 242.

the house replied that they would not pass any bill which was framed upon any other method than that of the bill he had rejected.

The tone and character of this discussion has been adequately set forth in the foregoing and although in the end the house was obliged to yield, the gain was not entirely on the side of the crown, for in the meantime another contest had been waged in which the representatives prevailed. Belcher, by his instructions, was prevented from receiving compensation for his services in any other form than that of a fixed salary and this the representatives flatly refused to allow him. On this point, the crown was compelled to back down and give consent to his taking the annual appropriations, in the manner in which the assembly had been accustomed to make them.

On receipt, in 1733, of the order of the Privy Council dismissing the appeals of the assembly, the situation was accepted and an act was passed in November in accordance with the methods prescribed by the instructions in which provision was made for the issue of £76,500 in bills of credit, for discharging public debts. In this act allowance was made for wages some of which dated back to the fall of 1730.

At the same time that this act was passed the representatives entered a protest, asserting that they judged it more convenient to pass the present bill of supply and so suspend the exercise of their rights than further to insist upon them at the present time. They added that they left the exercise of these rights to be reassumed by any future assembly.

Notwithstanding the fact that the prolonged contest between the governor and the representatives had prevented the province from receiving the benefit of the

annual issue of £30,000 and that the debts of the government had in the meantime been allowed to accumulate, the assent of Governor Belcher to this act was the occasion of a renewed instruction on the subject issued three years thereafter in which he was enjoined, "under pain of our highest displeasure and of being immediately recalled from that our government" to see that the original instruction was carried out in the future. His defence was that the emission upon the whole, considering the period that it covered did not exceed the instructions.<sup>1</sup>

Taxes had been laid from 1730 to 1733 which, taken in connection with the impost and excise and other sources of revenue, had been estimated to provide for the calling in of £90,500 bills of credit in accordance with the resolves under which they were emitted. All the revenues had been used for this purpose and the government during this period had been destitute of means for meeting the greater part of the current expenses. Much suffering had been the result.

While this condition of affairs existed in Massachusetts, a number of the citizens of New London, Connecticut, organized a company called the New London Society, united for trade and commerce. Their first attempt in this direction was made in 1729, when they petitioned the Connecticut assembly for a charter. It is evident that their desire was to organize a bank of issue, similar to those which had been projected in Massachusetts in 1686 and 1714. Their petition, which set forth their purpose to emit bills of credit, was denied, but they applied again for incorporation in 1732, this time alleging that the purposes of the proposed company were for promoting trade and commerce. A charter was granted and the com-

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 2, p. 745.



pany immediately proceeded to emit bills to subscribers to the scheme, taking mortgages on real estate as security. Governor Talcott soon heard of their proceedings and in February 1732-33, summoned a special session of the assembly at which the charter of the company was annulled and provision was made for winding up its affairs.<sup>1</sup>

October 17, 1733, a joint committee of the assembly of Massachusetts Bay was appointed to consider what means could be taken to maintain the value of the public bills in view of the fact that a number of Boston merchants were about to emit £110,000 of their notes, and the neighboring colony of Rhode Island was also engaged in making large emissions of bills. On the 23rd the council instructed the secretary to write to the governor of Rhode Island for information as to these emissions. The joint committee reported November 6th, recommending that the governor should discourage the circulation of the Rhode Island bills and urging that some security should be furnished for the merchants' notes. They recommended that a bill be prepared to prohibit the circulation of the Rhode Island bills and to this the council agreed but the house thought it would be wiser to discourage their use. The governor declined to interfere. He thought a proclamation against the Rhode Island bills would encourage the merchants' notes, concerning the issue of which no scheme had been submitted to the General Court. Moreover, it was impossi-

<sup>1</sup> An account of this company derived from the published records of the colony was printed in the *Quarterly Journal of Economics*, vol. 13, October, 1898. See also Publications Colonial Society of Massachusetts, January, 1898. Additional information derived from the archives was communicated to the same society December, 1898. These details will be found in the form of a continuous narrative in Part II of this work, devoted to banking.

ble for him to encourage their emission on account of the £30,000 limit set by his instructions.

This resolution of combined disapproval and sympathy requires some explanation. The restraint set upon the issue of bills of public credit by the royal instructions did not apply to Rhode Island. This colony saw a chance to supply the wants of the Massachusetts people in the way of a medium for trade, and simultaneously to derive from issues of public bills made for this purpose an income which would pay the running expenses of her government. In 1731, £60,000 Rhode Island currency had been loaned, and in July 1733, an emission was made of £104,000, £100,000 of which was loaned at interest for a term of years.<sup>1</sup> As an offset to this last emission a number of Boston merchants entered into an agreement not to receive the Rhode Island bills in trade, and following the suggestion made in the petition of Jacob Wendell and others heretofore referred to, they organized a company and issued £110,000 of their own promissory notes based upon silver at 19s. per ounce, the notes being so phrased that while they bore upon their face a value stated in coin, the promise was to pay a corresponding weight of coined silver, sterling alloy, or the value in coined standard gold. Payment was to be made in three instalments covering ten years. The notes rested for their security solely upon the solvency of the individuals whose names were attached thereto. These notes were known as merchants' notes and found a ready acceptance in trade but owing to the fixed rate of silver in which they were payable, they did not long remain in circulation.<sup>2</sup>

<sup>1</sup> The first three "Banks" amounting to £120,000 were then outstanding.

<sup>2</sup> Not much is known concerning this company, but such details as to their methods of business as have come to light in this investigation will be found in Part II: on banking.

In 1734, an organization of merchants was effected in Portsmouth, New Hampshire, the purpose of which was to furnish the public with notes as a medium of trade.<sup>1</sup> The notes thus put forth were not like those of the Boston merchants, payable in silver at a fixed rate, but were to be redeemed in silver or gold at the rate which might prevail in 1746, when they would become due. They bore interest at one per cent. per annum.<sup>2</sup>

Although this experiment turned out to be a pronounced failure, yet in its inception it greatly alarmed the Boston merchants, who, under the lead of Andrew Faneuil and James Bowdoin, petitioned the General Court on the 15th of April, 1735, to give caution that the New Hampshire notes were a cheat and a delusion and they prayed that their circulation might be prevented. In prompt response to this a bill was passed April 18th, making it an offense to utter or offer to pay or put off or to receive or to take any of these notes, and the assembly requested the governor to issue a proclamation cautioning his Majesty's subjects against taking any of them.

The attempt to prevent the invasion of the Rhode Island notes proved a failure. "Some of the Boston merchants, tempted by an opportunity of selling their English goods," says Hutchinson, "having broke through their engagements and received the Rhode Island bills, all the rest soon followed."<sup>3</sup> These various issues were followed by a sudden rise in silver.

The determination of the controversy as to the manner in which the bills of credit of the province should

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 2, p. 747.

<sup>2</sup> Very little is known about the merchants' notes of New Hampshire, but such details as have been gleaned from the various sources of authority will be found in Part II of this work.

<sup>3</sup> History of Massachusetts, (ed. 1795) vol. 2, p. 341.

be issued did not prevent conflicts concerning the currency between the representatives and the governor. "There are several bills lying before me," said Belcher, July 5, 1736, "that have passed his Majesty's council and your house, for a supply of bills of credit to the public treasury, which exceed the sum limited in his Majesty's sixteenth royal instruction to me for which reason I cannot sign them, and I think proper to acquaint you therewith that you may conform the whole supply for the year to the said instruction."

Up to this time propositions which looked toward a resumption of a specie basis for the currency had received but scant consideration from the representatives, but it would seem that the career of the merchants' notes kindled hopes in the minds of the authorities of the government that the insertion of a clause in the public bills, making them in a similar way receivable at a fixed rate of silver, would have the effect of removing the discount. November 25, 1736, the governor recommended the emission of fifteen thousand pounds in bills that should "carry the value of money." This, he thought, would answer all the demands of the province. They would be worth more than fifty thousand pounds in the bills then in circulation, and might be emitted consistently with the restrictive orders given to him by his Majesty. This was certainly a strong argument in favor of the proposed scheme. If the public would accept these bills on a par with silver, the £30,000 limit would at once be expanded to the equivalent of over £100,000 in the public bills of the form then in use.

In January, 1736-37, the council approached the subject in very serious mood and voted that "whereas his Majesty's good subjects have for many years been great sufferers by the uncertain and sinking state of the bills

of public credit, which difficulty doubtless more particularly moved this Court in a very solemn manner to implore the divine guidance and blessing in the present session; wherefore to comply with this obligation and profession, it seems necessary that this Court shall do all that is possible to remedy this threatening mischief." As a result of this earnest appeal a joint committee was appointed, of which Thomas Hutchinson of the council was chairman, and this committee reported an act which was passed in February, 1736-37, which provided for the emission of eighteen thousand pounds in bills of credit of the present form <sup>1</sup> and tenor and nine thousand pounds in bills of credit of a new form.

It was provided that the taxes to be assessed for calling in the bills of the new tenor could be paid either in bills of that tenor, or in bills of the old tenor in the proportion of three to one. If any of the bills should be outstanding in 1742, the treasurer was authorized to redeem them in coin at their expressed value. <sup>2</sup>

<sup>1</sup> The "present form" being what was thereafter known as "old tenor."

<sup>2</sup> The following is the form given in the act for the new tenor bill of credit:

Twenty Shillings.

Twenty Shillings.

This bill of twenty shillings, due from the province of the Massachusetts Bay in New England, to the possessor thereof, shall be in value equal to three ounces of coin'd silver, Troy weight, of sterling alloy, or gold coin at the rate of four pounds eighteen shillings per ounce; and shall be accordingly accepted by the treasurer and receivers subordinate to him in all payments (the duties of impost, of tunnage, of shipping and incomes of the light-house only excepted), and for any stock at any time in the treasury.

Boston,  
Court or Assembly.

By order of the great and general

Twenty Shillings.

Twenty Shillings.

} Committee.



The passage of this act furnished opportunity for the opponents of the governor to attack him before the Board of Trade, of which he heard and in the following November he put in a vigorous defence. He claimed that the instructions did not indicate what sort of bills of credit were to be issued nor of what value they must be. There was no gold and no silver in the province and it was impossible for the government to get along without bills of credit. Bills of the form which had been in use had declined so much that £30,000 in them was hardly worth £20,000. He might, indeed, have said £10,000. The province was growing and the annual charges were increasing and if he should tell the people the government must be supported without letting them have wherewith to do it, he could really expect no other answer from the assembly but that he was an Egyptian task master asking them to make bricks without straw. The new bills, he said, had already lowered exchange with London 50 or 60 per cent. and he expected this advantage to increase till the time the bills should be paid off.<sup>1</sup>

The new tenor bills were received with great disfavor by a part of the community. The town of Boston, on the 10th of May, 1738, appointed a committee to draw up instructions for the representatives on certain points among which were the trade of the province and the paper currency. On the 17th the instructions drawn up by the committee were submitted. They call attention to the "neighboring governments, especially Rhode Island, who are daily rivaling us of our trade and medium in paper currency" and ask if their hands are to be tied, while Rhode

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 2, p. 845.

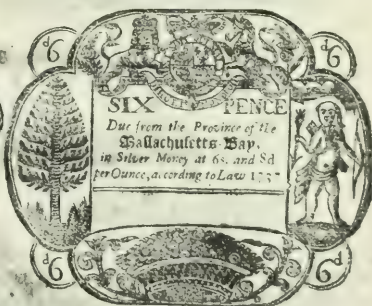
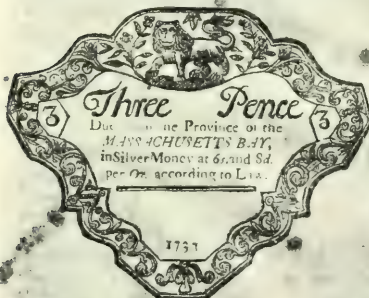
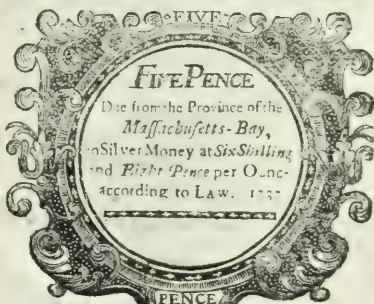
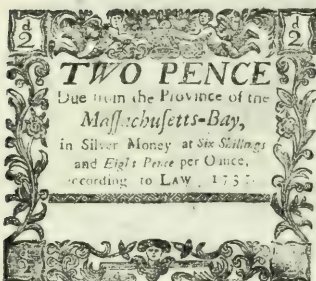
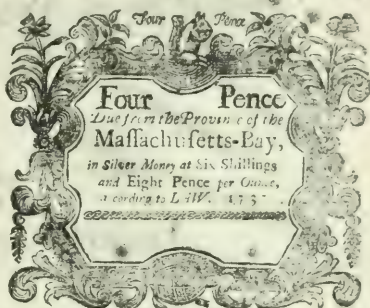
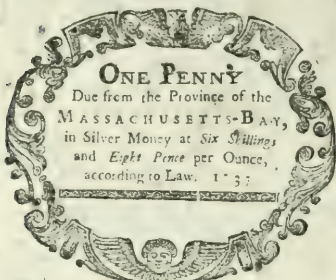
Island can make what paper bills they please, which their necessities oblige the people of Boston to receive. They strongly enjoin the representatives not to consent to any supply for the treasury unless the funds for discharging the same be put on suitable years after 1741. They likewise enjoin them to use their power and influence to obtain an act for striking off as many bills of the old tenor as will re-exchange all the bills of the new tenor already exchanged for the old, and they submit a table showing the operation of calling in the bills by 1744 to show its impracticability. May 18th, 1739 these instructions were renewed.<sup>1</sup> In the winters of 1737-38 and 1738-39 attempts were made to resume specie payments by means of loans of public bills the value of which was to be stated in a fixed rate of silver, which bills were to be loaned to merchants, who should agree to pay their loans in silver. It was evidently in connection with the second of these attempts that in January, 1738-39, the council again appealed to the governor to consent to the emission of £60,000 in bills which they described as redeemable in silver and gold and which they said were on a different foundation from those which occasioned his Majesty's prohibition. The governor had on the previous day, the twelfth, announced that he could not consistently with his Majesty's instructions give his assent to the bill. In consequence of this the council craved leave to point out the great and distressing difficulties of his Majesty's good subjects of this province if the aforesaid bill or one of that nature should not take effect. The people relied upon public bills to pay their taxes and to

<sup>1</sup> Boston Town Records, from 1729 to 1742. 12th Report, pp. 198, 199, p. 227.

Anna Regni GEORGII, Secund, Regis, Decimo & Undecimo.

2625 in small Bills

625



WHICH Bills, when made, said Committee are to deliver to the Treasurer of the Province, by him to be exchanged for other Bills of this Province to such Persons as come for the same, but not less than *Twenty Shillings* at one Time; and that the said Bills shall pass in all Payments as other the Bills of this Province of the new Tenour do according to Law, and that the Bills received by the Treasurer in Lieu of the aforesaid small Bills, shall be burnt to Ashes by a Committee of this Court appointed for that purpose.

Small Bills to be exchanged and to pass as the now Bills.



meet their engagements in trade and commerce. By the end of 1741, all outstanding bills must be retired. The amount now in circulation was computed at £250,000 O. T. and it would bring great distress, if not an entire stagnation of trade, if they should be entirely removed and nothing substituted in their place. Moreover the court had at that session found it necessary to discountenance the bills of the neighboring governments.<sup>1</sup> The governor, in his reply, said he would use his best endeavors to secure the royal approval of the £60,000 bill.

The term of Belcher's service was now rapidly drawing to a close. He had made enemies and among them were some who were unscrupulous and who intrigued against him in Great Britain. They were successful in securing his downfall, but when the means by which it was accomplished were understood, he was soon restored to royal favor and received compensation by appointment to another government. During the latter part of the time that he remained in this province he was engaged in a contest with the promoters of the land bank. The story of that experiment is of very great interest and has not received adequate treatment from historians. Its incorporation, however, in detail, at this point would swell the narrative to proportions utterly inconsistent with the limits which control a discussion of the currency. We must, at present, therefore, practically confine ourselves to a consideration of the influence which this remarkable experiment had upon the currency of the province, leaving the detailed account of the rise and fall of the company for treatment in that portion of the work devoted to the subject of banking.

The year 1740 was propitious for an experiment of

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 2, p. 965.



this sort in Massachusetts. The withdrawal of all the currency emitted by the province was impending and no provision had been made for a medium of trade, other than the £30,000 permitted by the royal instructions for the annual expenses of the province. In this dilemma the representatives turned to the public, and in 1739 appointed a committee which was authorized to receive in the recess of the court any scheme or proposals from any persons, whomsoever, for the furnishing a further medium of trade in such way and manner as that the value thereof might be maintained. This furnished an opportunity for John Colman, who in 1720 had published a pamphlet in which he had brought out a proposition for a bank which should emit bills on real security.<sup>1</sup> He at once set to work and by December of that year had secured nearly four hundred subscribers to a scheme for emitting bills secured by real estate which was on the fifth of that month submitted to the General Court. The petitioners desired incorporation and the subject remained under consideration for some time, the representatives favoring the petitioners and the governor and council being opposed to them. The ultimate result was that the company began business in the fall without incorporation. The note which was then emitted by the company was signed by certain of the directors and was in the form of a promise in behalf of the signers and their partners to receive the same in all payments at the expressed value "lawful money six shillings and eight pence per ounce" and after twenty years to pay the same in the produce or manufactures enumerated in their scheme. The articles thus referred

<sup>1</sup> The distressed state of the town of Boston once more considered, and methods for redress humbly proposed, etc., etc., etc., by John Colman.

to in which the notes were to be paid were nearly all of them productions of the province. A limit of £150,000 was set to the amount of notes which could thus be emitted. The scheme found favor in the rural districts of the province. Many towns voted to take the notes, and subscribers to the number of about one thousand joined in the enterprise.

Certain Boston merchants who were opposed to the scheme organized an opposition company which was known as the silver bank or silver scheme, the purposes of which were: first, to emit bills which like the merchants' notes of 1733 should have the value expressed in silver at a given rate per ounce; second, to secure the mutual agreement of the subscribers to refuse to receive the bills of other governments not redeemable in gold or silver, except at a discount to be fixed by the company; and, third, not to receive the land bank notes on any terms. The notes emitted by this company were in the form of promissory notes, and were payable in 1755. While they bore upon the face a denominational value, the promise was to pay a specified weight of coined silver, sterling alloy, the denominational value being ascertained on the basis of twenty shillings for an ounce of silver. The company afterwards amended their scheme by agreeing to anticipate payment of these notes in the following manner:

In 1741,	on the basis of	silver at the rate of	28s. 4d.	per oz.
1742	"	"	"	27s. 9d. "
1743	"	"	"	27s. 2d. "

and so on with an annual reduction of seven pence in the rate of silver until it reached twenty shillings in 1755, when the notes were redeemable according to the terms expressed on the face. The proposed emission of this bank was £120,000 in their own notes. The silver rate

at which it was agreed that these notes should be redeemed in 1741 was 28*s.* 4*d.* The annual change in rate in the scale of redemption was 7*d.* per ounce and this would make the rate at which the notes were probably emitted, 28*s.* 11*d.* per oz. On this basis the £150,000 emitted by the land bank was equivalent as a circulating medium to more than five times the £120,000 emitted by the silver bank, provided it were possible that the land bank bills should actually have found currency on the basis of 6*s.* 8*d.* per oz. for silver, according to the terms of the notes.

The silver bank like the land bank had applied for incorporation and like the land bank had been obliged in order to accomplish its purposes to proceed in the emission of its notes as a private concern. The governor came to its aid as far as he could, and brought to bear unsuccessfully all the power of his official patronage with which to impede the progress of the land bank, but in the fall of 1740, both schemes were launched and both emitted their notes. The apparent success of the land bank gave birth in the spring of 1741 to a number of local imitators in different parts of the province, one of which located in Ipswich, actually proceeded to emit bills. The career of all of these, together with that of the land bank and the silver bank, was suppressed in the summer of 1741 by means of parliamentary intervention, brutal in its disregard of the rights of the colonists who were engaged in these unfortunate enterprises, and full of consequences in the hostility which it provoked, but effective through the support which it received from the governor and from the assembly, not ready as yet to contest the supremacy of parliament.<sup>1</sup>

<sup>1</sup> As in the case of the land bank the consideration of the details concerning the silver bank and the Ipswich bank have been post-

So long as Belcher remained at the head of the government, his relations with these affairs continued unchanged, and his persistent activity in opposition to the land bank did not tend to diminish the feeling of hostility against him, which had been aroused in the minds of the members of the popular branch of the government by the prolonged contests about the currency.

It resulted, therefore, that the representatives preserved their aggressiveness in all their discussions with the governor, and as late as April 5, 1741, alluding especially to the insertion of a suspending clause in acts of the assembly, they said, if "the representatives should not struggle in every way to maintain and preserve their liberty they would act more like vassals of an arbitrary prince than like subjects of King George, their most gracious sovereign."<sup>1</sup>

Belcher was relieved of his official connection with the government in August, 1741. If his successor had assumed office a few weeks earlier, the name of Belcher would have been conspicuous in the list of governors who ruled during the days of the emission of bills of public credit, for its freedom from association with any of the great avalanches of bills which from time to time were forced into the circulation. He had faithfully adhered to his instructions, but in the summer of 1741, came orders to promote enlistments for an expedition under Admiral Vernon against the King of Spain's settlements in the

poned to Part II of this work. The necessity for this has compelled the narrative of these important events in merest outline. The student who shall have patience to study carefully the course of these so-called banks will realize their value to the economist, and the enormous influence which this parliamentary legislation had in determining the position of those who in the end opposed the doctrine of parliamentary supremacy.

<sup>1</sup> Mass. Court Rec., vol. 17, p. 537.

West Indies. Bounties could not be offered ; supplies could not be purchased ; transports could not be secured, and garrisons for forts could not be maintained, except through the issue of a large quantity of bills of credit. In making the emission necessary for these purposes and for discharging certain debts of the province, the old form of bill was reverted to, and £80,000 old tenor were in July launched upon the market. The approval of the legislation through which this was accomplished was one of the last important acts in Belcher's official career.



## CHAPTER VII.

### THE STRUGGLES DURING BELCHER'S TIME TO CHECK THE DEPRECIATION.

It has been already stated that the extraordinary increase in the circulating medium in the summer of 1733, caused by the simultaneous emission of the merchants' notes and the large amounts of public bills put forth by Rhode Island and this province, produced an immediate effect upon the rate of silver, which was so noticeable as to attract general attention. "Silver rose," says Hutchinson, "from 19*s.* to 27*s.* the oz., and exchange with all other countries rose also, and every creditor was defrauded of about one-third of his just dues. As soon as silver rose to 27*s.*, the notes issued by the merchants, payable at 19*s.*, were hoarded up and no longer answered the purposes of money. Although the currency was lessened by taking away the notes, yet what remained never increased in value, silver continuing several years about the same rate, until it took another jump." <sup>1</sup>

The decline in the bills naturally compelled consideration. In May, 1734, the governor called attention to the low ebb to which the bills had fallen. They carry on their face these words, he said, "in value equal to money, and yet sixteen shillings in these bills will not at this day purchase four shillings lawful money." He exhorted the members of the assembly to adhere to the obligations which had been imposed upon them, and told them that "a sacred observance of the terms of the several acts by which the bills have been issued must have a natural tendency to support their credit."

<sup>1</sup> History of Massachusetts, (ed. 1795) vol. 2, p. 341.

The house apparently attributed the decline to the merchants' notes, and on the 4th of July, 1734, the representatives asserted that these notes had greatly affected the bills of public credit. They wished the assembly to take the matter under consideration, but the council prevented this by declining to co-operate with them.

This experience of the sudden decline of public bills taught the sufferers a lesson in economics, which was announced by the governor in his speech on the 22nd of November, 1734. He said it was apparent to a mere observer, that every emission of bills had the effect of depreciating those in circulation in proportion to the amount emitted, and he called attention to the fact that the combined issues the previous year, of the government bills, private bills and bills of the neighboring colonies, had diminished the value of the bills of public credit at least twenty per cent. The effect of this, he said, reached the most careful and industrious, and widows, orphans, ministers of religion and public servants were affected by it. He referred to the merchants' notes as contributory to this result.

There are certain circumstances connected with the sudden rise of silver, coincident with the large emissions of bills of various sorts heretofore alluded to, which are peculiar and require some consideration. The issues of the province from the summer of 1730 to 1733, including the large issue of £76,500 then made, amounted to £113,200, but the retirements during the same period had reached the sum of £90,500, so that the circulating medium had only been increased by £22,700 in the bills of public credit of this province.<sup>1</sup>

<sup>1</sup> In the additional instructions sent to Belcher in April, 1737, he is charged with having issued £106,571, 13s. 4d. in the space of seven months, as follows: £76,500 in November, 1733; £2,700 in January,

There can be no doubt that the merchants' notes were hoarded the instant that silver began to rise above the price at which they were rated. A very slight rise in the price of the metal, measured in public bills, would necessarily have operated to send them out of the market. When this rise had actually taken place and the bills had disappeared from circulation, the circulating medium had only been increased since 1730 by the £22,700 which had been added to the amount of the bills of this province during that period and whatever contributions to the currency had been made during the same time by the neighboring governments. Among these latter, however, was an emission of £60,000 for loans by Rhode Island, in 1731. The silent hoarding of the merchants' notes was not appreciated, and even after their withdrawal from circulation the discount of the public bills continued, and the notes were made the scape-goats of the situation.

At the May session in 1735, the governor said that he hoped the assembly would not rise till they had passed a law, in the most effectual manner to save this people from the oppression daily springing from "what are called merchants' notes." June third the representatives voted to insist upon a clause in a bill then pending, that in contracts where payment was provided for in merchants' notes, a tender of province bills, bills of the neighboring governments, or gold or silver, at the rates therein mentioned, should discharge the debt. On the fifth, they said that the emission of the merchants' notes was not justifiable and had been the means of raising

1733-34; and £27,371, 13s. 4d. in May, 1734. The acts under which these issues were made are given in Acts and Res. Prov. Mass. Bay, Chs. 7 and 11, Laws 1733-34, and Ch. 1, Laws 1734-35. The period included is not the same as that given above.

the price of silver, and their further circulation would be oppressive to the inhabitants of the province. If bills of credit of this or of the neighboring governments were tendered in suits where payment was claimed in merchants' notes, they were of the opinion that such tender ought to stay execution. The society, they said, alluding by this term to the organization which had issued the notes, ought to be compelled to exchange note for note, beginning the first of November next, and until December first, after which the notes ought not to pass. The society would probably have been glad to retire its notes by December first on the terms suggested, as they were then at a premium of about thirty-three per cent. As special legislation was the order of the day, at that time, for the cure of every evil, no matter how temporary its nature might be, the assembly continued for a time to wrestle with this subject, but found that there were difficulties in the way of their accomplishing anything in that line. A bill was brought in, but after several amendments, failed of passage. The subject was under debate again in December, and again in January, 1735-36, and was finally shelved March 24, 1735-36. By this time it had probably become apparent that the notes were no longer in circulation.

The report of the committee, June, 1731,<sup>1</sup> recommending the emission of bills which should be redeemable in five years in silver at 16s. an ounce, was followed, in 1732, by a movement which, if the people had been ready to apply heroic methods, might have resulted in placing the province on a specie basis with much less trouble than was actually experienced when this was finally accomplished. A proposition was submitted to the house in January of that year for a loan of £300,000

<sup>1</sup> See ante, p. 118.

in bills of credit, borrowers to pay the same in twenty annual payments in silver at 8s. an ounce, so that the treasurer might, at the end of twenty years, be prepared to redeem outstanding bills in coin. The proposition was crude, the amount of bills being disproportionately large if the redemption was not to take place till the end of the twenty years, and the locking up of so great an amount of silver for so long a period would have been absolutely impracticable. It may be doubted, however, if these were the reasons which led the house abruptly to decline all consideration of the project.

In November, 1734, an act for retrieving and ascertaining the value of the currency was introduced, which provided for the emission of £60,000 in bills of a new form and tenor, payable in silver at the rate of 6s. 8d. per ounce. They were to be let out for ten years, and £110 was to be paid annually during this period by the borrower for each £1,000 borrowed. Twenty shillings of the present tenor were to be worth 6s. 8d. of the new, and the new bills were to be redeemable at the end of five years, one-half in coin, one-half in notes.<sup>1</sup> This act

<sup>1</sup>The form of the proposed bill was as follows :

This Indented Bill of            due from the Province of the Massachusetts Bay in New England to the Possessor thereof shall be in value equal to silver coin after the rate of six shillings and eight pence the Ounce, or gold coin after the rate of four pounds sixteen shillings the ounce, and shall be accordingly accepted in all payments : And the Trustees shall be obliged at any time after the            day of            to deliver to the possessor hereof one-half of the sum herein expressed in silver or gold coin at the rates before mentioned and the other half in new bills of the same form and tenor with this bill and in like manner to be exchange'd at the end of five years more.

By order of the Great and General Court or Assembly.

Boston, the            day of

A }  
B } Committee.  
C }



was defeated by the house.<sup>1</sup> It is of interest, not only because it contains the evidence of an effort in the direction of specie resumption, but also because of the name associated with its introduction.

We find in the records that in November, 1734, Thomas Hutchinson of the council, the father of Governor Hutchinson, as chairman of a committee of both houses, reported a bill for the emission of £60,000, which was defeated on the 26th of that month in the house. The details of the bill are not given in connection with Hutchinson's name, but it was doubtless the one which has just been described. In 1737, the same Thomas Hutchinson reported the act which contained the form of the bills of new tenor, which act was then promptly passed. Silver was then quoted at 27*s.* an ounce. The new bills were said to be equal to silver at 6*s.* 8*d.* per ounce, but were measured in old tenor at the rate of one to three. It is evident that one to four would have been a more just proportion, if it had been intended by the nominal rating of silver in the act to furnish an exact measure for the value at which the new bills should pass. Nevertheless the new form had a certain sort of success, which evidently stimulated the belief that through some such means as those suggested in 1734, a specie basis might be reached.

In pursuance of this idea, another scheme was submitted in January, 1737-38, for the emission of £60,000. This was a decided improvement upon the proposed act which was rejected by the house in 1734, but the similarity of the two acts will be apparent upon comparison of their general construction. The bills of the proposed emission were to be let out for ten years to such subscribers as would agree to pay to the treasury annually

<sup>1</sup> Mass. Arch., vol. 101, no. 524.

during that period, for each £1,000 furnished them in bills, £105 in silver or gold coin, silver being rated at 6s. 8d. per ounce. No bills were to be emitted unless £30,000 were subscribed.<sup>1</sup>

The proposed act was printed and distributed and subscriptions were solicited. At first glance this scheme seems preposterous. Silver was then rated at 27s., and it would not appear, when we consider this rate, to have been possible to float the new bills at par in silver. On this, of course, depended the success of the experiment. We must bear in mind, however, that the rating of silver was in old tenor, and that alongside these bills another form of bill circulated which was receivable in payment of government dues, one for three. If we convert the silver rate into new tenor, the undertaking has less of a herculean aspect. At all events, it is evident that there were hopes that the scheme might be put through. By June 6, 1738, £19,000 had been subscribed by merchants of good standing in Boston,<sup>2</sup> but

<sup>1</sup> The form of the proposed bill was given as follows :

One Shilling.

No. 1000.

This Bill of One Shilling due from the Province of the *Massachusetts Bay in New England*, to the Possessor thereof shall be in Value equal to SILVER COIN at the Rate of *Six Shillings & eight Pence* the Ounce, and GOLD COIN at *Four Pounds eighteen shillings* the Ounce Troy Weight, and accordingly shall be redeemed by *Silver and Gold* at the Rates aforesaid, and shall be accepted in all publick and private Payments in such Time and in such Manner as is provided by an Act of the General Assembly.

Dated at Boston the

day

1738.

A }  
B } Committee.  
C }

Mass. Arch., vol. 101, no. 566.

<sup>2</sup> Thomas Hutchinson, senior, subscribed two thousand five hundred pounds, Thomas Hutchinson, junior, fifteen hundred pounds. Mass. Arch., vol. 101, no. 562.

that seemed to be the limit which could then be reached, and the subscription fell through. In January, 1738-39, the attempt was renewed, but on the 24th of April only £13,000 had been secured in subscriptions.<sup>1</sup> It is quite probable that the distrust occasioned by the further decline of the currency, was the cause of the falling off in the subscriptions when the attempt was renewed. This decline is to be traced to an emission by Rhode Island of £100,000 in 1738.

If we needed any evidence to connect the senior Thomas Hutchinson with these attempts to return to a specie basis, it is to be found in the fact that both his own and his son's names are among those of the subscribers on the above lists.<sup>2</sup> It was he who submitted the report of the committee appointed to secure subscriptions. Again, December 28, 1738, in behalf of a committee to whom the consideration of the difficulties attending the public credit in the province had been referred, he submitted another report, from which his opinions may be deduced. In addition to passing the bill then under consideration, which was practically the same as that which had failed in the spring, he thought that provision should be made at the same time for calling in all bills of credit, for which no tax had already been laid, according to the terms agreed upon in the respective acts under which they were issued. The circulation of any bills issued by the neighboring colonies since the first day of May, 1738, should be absolutely

<sup>1</sup> Mass. Arch., vol. 101, no. 562 ; no. 564 ; nos. 607-615.

<sup>2</sup> The amounts of their subscriptions to the first of the proposed loans have been given. To the second, Thomas Hutchinson subscribed three thousand pounds, Thomas Hutchinson, junior, one thousand. Mass. Arch., vol. 101, no. 615.

prohibited, unless such bills were redeemable in silver or gold, and founded upon adequate security.

This last suggestion made by Hutchinson was at once incorporated in a law in a modified form. The currency of any bills of neighboring governments already emitted after May 1st, 1738, or thereafter to be emitted, was prohibited unless it appeared upon the face of such bills that they "were made redeemable in lawful money upon good security," "within ten years after their first emission." The great quantity of bills issued without certain provision for their redemption, had, the assembly said in the preamble to this act, stripped them of all their money and brought the government into contempt. This province had fixed their value, but this the neighboring governments had failed to do, therefore they prohibited the circulation of their bills, except as before stated.<sup>1</sup>

An attempt was then made to pass a bill providing that in the hands of inhabitants of Massachusetts, bills of the neighboring colonies should be a legal tender to residents of the respective colonies, for all debts or special contracts payable in Massachusetts bills. In January, 1738-39, this idea was formulated in the shape of an act which was duly passed, but it was shorn of some of its enormities before it got through. The non-resident creditor was permitted to make affidavit if the consideration of the debt was either wholly or in part in Massachusetts bills and to the extent that he was able to prove that the debtor had received the bills of this province he was entitled to have his debt satisfied in them.

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 2, p. 965; Ch. 14, Laws 1738-39.

<sup>2</sup> Acts and Res. Prov. Mass. Bay, vol. 2, p. 972; Ch. 19, Laws 1738-39.

Notwithstanding the failure of the attempt to bring the currency to a specie basis through the proposed subscription loans heretofore described, the incident is full of interest and we may well believe that, had it not been for the Rhode Island issues, the patriotic spirit which led to such large subscriptions to the loans might have been stimulated to the point of success. The government had been both a borrower and a lender, and as far back as 1728 a subscription loan had been proposed. A brief review of these transactions will reveal the fact that while some of the loans were mere attempts to furnish a more permanent circulating medium than could be derived from public bills which were constantly drawn in by taxation, others of them, and especially the proposed subscription loans, rested their appeals for support upon the benefit that the province would derive from the action of the subscribers.

The first instance that we find in this review is the action of the Boston capitalists in 1692, in advancing bills of public credit for the use of the government. In 1703, the province was a borrower, and again it borrowed its own notes from the people. In 1711, the province loaned its bills to the Boston merchants who agreed to stand in the gap and furnish supplies to the Hill and Walker expedition, taking pay for the same in sterling exchange drawn on the home government. This could only have been accomplished through an appeal to the patriotism of those who rallied to the support of the government. The loans of 1714, 1716, 1721 and 1728 were all of them evidently made for the purpose of avoiding what was deemed to be an impending stringency of the circulating medium, and of furnishing a currency which should not be subject to the annual withdrawals required for the funds. Concerning the



PLATE 10.



Fractional currency, 1737. Photographed by permission of the Essex Institute.  
Size, 3 in. x  $3\frac{1}{2}$  in.



Land Bank or Manufactory bill, 1740. Photographed by permission of Mr. William S. Appleton, of Boston. Size,  $3\frac{1}{2}$  in. x  $4\frac{1}{2}$  in.



proposed subscription loans of 1728 and 1729, we have no such knowledge as will enable us to speak positively as to their import, but we can add to the suggestions previously made an analysis of certain events selected from the records which will, perhaps, aid us in solving their general character.

October 13, 1727, a petition of certain Boston merchants was presented to the General Court in which they complained that trade was languishing; that trading by truck or barter was attended with great and insuperable difficulties and that the people called for a supply of money in order to purchase their daily bread. A committee was appointed to consider the matter and report at the next session. In February, 1727-28, a committee was appointed to receive and consider in the recess of the Court, any scheme or projection for retrieving the value of the bills of credit or for making suitable provision for a medium of trade and this committee was authorized to take subscriptions of any persons for the fulfilment of such scheme or schemes and make report thereon.<sup>1</sup> A bill was reported December 20, 1729, for the retrieving and ascertaining the value of the bills of credit of the province and a committee was appointed to take subscriptions from such gentlemen as were willing to subscribe as undertakers in the affair. It is probable that this was the progenitor of the plan already described in 1734, and which was attempted in 1738 and again in 1739.

In December, 1739, John Read of Boston submitted a plan for the gradual recovery of silver in trade. He proposed that a number of merchants and gentlemen should deposit in bank a fund of silver and should emit

<sup>1</sup> Mass. Court Rec., vol. 14, p. 48.

their bills for four times the amount of the silver deposit. The silver and the bills were then to be loaned at five per cent. per annum to borrowers who would agree to pay their interest in silver. The silver was to be valued at the then current rate and the bills were to be emitted on that basis. A portion of the bills were to be sunk each year, to cover the gradual conversion into silver. To provide for this, the bills furnished by the undertakers were to run for one, two, three and four years. Then so much of the fund as still remained in bills was to be renewed in a similar way for three years, then for two years, then for one year. Meantime the entire expenses of the affair were to be borne by the undertakers. The original fund of silver was twenty per cent. of the total amount of the silver and bills of the bank. If loans to the same amount at five per cent. were kept alive during ten years, and no charges of any sort against the bank, this twenty per cent. of silver would at the end of ten years have become seventy per cent. "At the end of ten years," says Read, " $\frac{7}{10}$ ths. of this bank will be turned into money, and so money may be certainly and very gradually recovered and brought back into all our trade again," but the assembly did not see fit to bestow much thought on his plan.<sup>1</sup>

In March, 1739, Thomas Hutchinson, who afterwards became governor, submitted a plan for importing silver from England. He represented that bills for about £210,000 were then outstanding, £40,000 of which were on loan and £170,000 to be called in by 1742. If these bills were called in there would be nothing left for circulation. He, therefore, proposed that the government should borrow of some company or from private merchants in England 220,000 ounces of silver or

<sup>1</sup> Mass. Arch., vol. 102, no. 113.

the equivalent in gold, for the term of ten years, at the rate of 4 per cent. per annum for interest.<sup>1</sup> A fund should be established for the payment of this loan by a duty or excise on such commodities as was thought best. He submitted a calculation showing the charge to which the province would be put by such a scheme, and further proposed that a bill should be brought in to fix the rates at which silver and gold should be received in payment of past debts. He thought that the whole thing could be adjusted in ten years without disturbance to trade and that then justice which had been banished would be restored. "But this proposal," says Hutchinson, in his History,<sup>2</sup> "was rejected."

We have seen elsewhere that in January 1738-39, the governor signified his willingness to secure if possible the approval of the Lords of Trade to an emission of £60,000. The proposed bill was submitted to certain London merchants for their criticisms, after which a report was made, a copy of which was forwarded to the province by Wilks, the agent, and was submitted to the assembly by Belcher, in October, 1739.

The bill which was described in the report as a proposed emission of £60,000 at the rate of 6s. 8d. in silver, redeemable one-half in five years, the remainder in ten years, will be recognized as the subscription loan, which was then attempted. The Lords of Trade reviewed the objections which had been made against it, included among which was one that the coin for the redemptions would be locked up for too long a time. They found the act unacceptable in the form in which it was submitted, still they would assent to a similar bill,

<sup>1</sup> At 6s. 8d. per ounce this was a little over £70,000 New England money and was equal to £52,000 sterling.

<sup>2</sup> History of Massachusetts (ed. 1795), vol. 2, p. 352.



provided none of the new bills of credit should be current until all those emitted prior to 1727, thus including the several loans, should be sunk. They further required that no more should be issued each year than in proportion to what should be paid off and sunk, of the old bills. They also said that all the redemptions provided for up to 1741 must be strictly complied with. The new bills could neither be paid nor received at a higher rate than 6s. 8d. per ounce of silver. They were to be redeemed at three periods, three, six and ten years, instead of five and ten years, and special contracts were not to be affected by them. By the time that the conclusions of the Board of Trade reached the house, this bill had been forgotten and the whole matter was ancient history. The house curtly disposed of the affair by saying that they could do nothing concerning the bill.

We get an official quotation of exchange in connection with the events of Belcher's administration. The rate on the bills drawn for the payment of the troops which accompanied the expedition against the King of Spain's dominion in the West Indies was fixed at 400 per cent.

It was in 1722 that the first issue of fractional currency was made.<sup>1</sup> Copper had followed the silver and gold and great inconveniences and difficulties had arisen through the want of small money for change. To remedy this five hundred pounds in pennies, two pences and three pences were issued. As it was expected that they would remain in circulation indefinitely, parchment was selected as the material upon which they should be printed. The pennies were round, the two-pence pieces square and the three-pences "sexangular." They simply

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 2, p. 242.

bore the distinguishing denomination, the title of the province and the date, no promise of redemption being printed upon the face of the token.

In the course of time these must have disappeared and we find it alleged in the preamble of an act in 1737 that people were in the habit of tearing the bills of public credit into halves and quarters and passing them thus torn and defaced.<sup>1</sup> Of course, this was done in order to make change, but apparently advantage was taken by counterfeiters of this rough treatment of the currency and the act in question was passed to prevent such practices. A better remedy for the grievance than penal legislation was found in July of the same year, in the issue of fractional currency, in bills ranging from one penny to sixpence.<sup>2</sup>

This period continued to be characterized by an unusual amount of extravagance in the habits of the people, and this was commented upon by some of the writers of the day. While this phase of life may be accepted as a natural concomitant of an inflated currency, some contemporary writers thought that it was traceable to the use of shop notes.

The activity of the pamphleteers was coincident with their opportunities. The situation in 1733 revived the hopes of those who wished to organize banks and a pamphlet was published that year in which the Rhode Island emissions were attacked and a project for a bank of issue was submitted.<sup>3</sup> Two pamphlets were published

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 2, p. 827.

<sup>2</sup> Acts and Res. Prov. Mass. Bay, vol. 2, p. 883.

<sup>3</sup> Money, the sinews of trade. The state of the province of the Massachusetts Bay considered with respect to its trade for want of a medium of exchange wherewith to manage, etc., etc. By a lover of his country. Boston, N. E. [1733]. A pamphlet entitled Trade and commerce inculcated . . . with proposals for the bringing gold and silver into the country, Boston, 1731, was purchased at the Brinley sale by the Library of Congress. It cannot be found at present.

in 1736, one in which the merchants' notes were attacked<sup>1</sup> and one in which a proposition was advocated, somewhat similar to that suggested by the author of "A project for the emission of one hundred thousand pounds of province bills, etc.," in 1720, for a resumption of specie payments.<sup>2</sup> These were followed by a proposal for a land bank in 1737.<sup>3</sup> The scheme for emitting £60,000, to be loaned to subscribers, payments for the loans to be made in coin, which was under consideration in 1738, was attacked in a pamphlet published that year.<sup>4</sup> This publication induced Dr. Douglas to take a hand in the controversy and he published in reply to this attack, his "Essay concerning silver and paper currencies,"<sup>5</sup> etc., etc. The year 1740 was characterized by great activity on the part of the controversialists, and was made conspicuous by the publication, in Boston, under that date, of Douglass's "Discourse concerning the currencies," the most valuable of the many publications in connection with the currency discussion.<sup>6</sup> We have under this date

<sup>1</sup> The melancholy state of the province considered in a letter from a gentleman in Boston to his friend in the country. Printed in the year 1736.

<sup>2</sup> A letter to a member of the honorable house of representatives on the present state of the bills of credit. Boston. Printed in the year 1736. This pamphlet, I attribute to Governor Hutchinson. It was published in connection with the struggles for the resumption of specie payments, 1728-1738.

<sup>3</sup> A proposal to supply the trade with a medium of exchange and to sink the bills of other governments. Boston. Printed in the year 1737.

<sup>4</sup> Some observations on the scheme projected for emitting £60,000 in bills of a new tenor, to be redeemed with silver and gold, showing the various operations of these bills, and their tendency to hurt the publick interest. In a letter from a merchant in Boston to his friend in the country. Boston, 1738.

<sup>5</sup> An essay concerning silver and paper currencies, more especially with regard to the British colonies in New England. Boston, [1738].

<sup>6</sup> The publications that year were : A proposition for a bank, under title of A letter relating to a medium of trade in the province of Massachusetts Bay, Boston, 1740 ; A discourse concerning the currencies of the British plantations in America, especially with regard to their paper

also the first of the many pamphlets devoted to sounding the praises of the land bank of 1740.<sup>1</sup> During the year 1741, the discussion was mainly confined to the land bank and incidentally its opponent the silver bank.<sup>2</sup> The closure of the land bank removed it from consideration by the controversialists, but one more pamphlet, this time political in its nature, was devoted to a narrative history of its rise, progress and consequences. This was published in 1744.<sup>3</sup>

money. More particularly in relation to the province of the Massachusetts Bay in New England. Boston, 1740; An inquiry into the nature and uses of money; more especially of the bills of publick credit: old tenor. Together with a proposal of some proper relief in the present exigence. To which is added a reply to the essay concerning silver and paper currencies (*sic*). Boston, 1740. This pamphlet was by the author of "Some observations" the pamphlet which had called forth "The essay concerning silver and paper currencies," etc., and Douglass appended to the Discourse a postscript devoted to answering the Inquiry.

<sup>1</sup> A letter from a country gentleman at Boston to his friend in the country. Boston, 1740.

<sup>2</sup> Dr. Douglass attacked the bank in a pamphlet bearing the following title: A letter to — —, merchant in London, concerning the late combination in the province of the Massachusetts Bay in New England to impose or force a private currency called land-bank money. Published for the public good, 1741. To this there was a reply: A letter to the merchant in London to whom is directed a printed letter relating to the manufactory-undertaking, dated Boston, February 21st, 1740-1. Printed for the public good, 1741. This brought forth: A second letter to — —, merchant in London, concerning a late combination in the province of the Massachusetts Bay in New England to impose or force a private currency called land-bank money. This pamphlet bears date: Boston, March 31, 1741. A writer in London was impelled by reading Douglass's Discourse to express his approval of the same through a pamphlet which he entitled "Observations occasioned by reading a pamphlet, entitled, A discourse concerning the currencies of the British Plantations in America, in a letter to, etc., etc." London, 1741.

<sup>3</sup> An account of the rise, progress, and consequences of the two late schemes commonly called the land bank or manufactory scheme and the silver scheme, in the Province of the Massachusetts Bay, wherein the conduct of the late and present G—— during their ad——ns is occasionally consider'd and compar'd. In a letter from a gentleman in Boston, to his friend in London. Printed in the year 1744.

## CHAPTER VIII.

### THE INFLATION UNDER SHIRLEY.

William Shirley, who was appointed to succeed Belcher in the administration of the affairs of the province, assumed office on the 17th of August, 1741. He was a native of England and a member of the English bar. He was ambitious and his impatience at the probable tedium of his professional advancement at home, combined with his hopes of political preferment in the province, caused him to emigrate to Massachusetts. Cultivated, tactful and adroit, he made the best of the advantages which his education and his opportunities offered and during the ten years which he was in the colony prior to his appointment as governor, he conquered for himself a position of prominence in affairs. Whether his acquaintance with the subtleties of special pleading was of much worth to him in practice before a bench whose numbers were recruited from the community at large without regard to their knowledge of law, may perhaps be doubted, but it is reasonably certain that he had built up a good business in the province, and with its growth had gained considerable reputation.

The perplexities of the situation to which he succeeded were inherent and chronic. There was absolutely no solution which suggested itself to the problem of where should the province turn for a circulating medium when the outstanding currency should be called in. The period was close at hand when by the terms of the royal instructions <sup>1</sup> this vexed question must be answered,

<sup>1</sup> Shirley's instructions from the Lords Justices, bearing date Sept. 10, 1741, are to be found in the Mass. Arch., vol. 49, nos. 52, *et seq.*



and the only visible medium for the trade of the province would then be the bills of public credit which could be issued for annual expenses, the maximum amount of which to be in circulation at any one time after the outstanding bills should be retired, was to be £30,000. If the spirit of the law passed in January, 1738-39 restraining the circulation of bills of the neighboring governments should be adhered to, no reliance could be placed upon those bills for a future currency. Of gold and silver, there was, according to a writer who visited New England about that time,<sup>1</sup> "a great deal" in the hands of the merchants, but, he adds, "they use it only as merchandise and buy and sell it only by weight, to send to England in return for goods."

There was no reason to hope for relief through the use of notes of individuals, or of private banks. Special legislation had been carried through parliament to prevent the land and silver banks from carrying out their projects and knowledge in the province of this action on the part of parliament, cut off the possibility of new enterprises of this sort. It is true that as yet the leaders of the land and silver schemes had not signified their willingness to accept the situation, but the day of grace, beyond which the extreme penalties of the act of parliament could not be restrained, was close at hand. One of Shirley's first efforts was to secure a peaceful compliance with the law. It is quite probable that in this respect he accomplished through his personal exertions what would have been impossible for Belcher. He was soon able to report that the directors of the land bank had "agreed to put an entire end to their scheme." As the silver bank had been organized solely as a check

<sup>1</sup> History of New England by Joseph Bennett, Sparks MSS. H. C., quoted by Palfrey, *History of New England*, vol. 5, p. 44.

upon the land bank and as there was no disposition on the part of its managers to have any collision with the government, the submission of the directors of the land bank practically removed both of these schemes from further consideration as contributors to the inflated currency.

Two forms of public bills were then in circulation. Market values were measured in the currency which had been in use since 1702, known at that time as old tenor. In adopting the new tenor, Belcher had been prompted solely by the desire to get a greater purchasing value for the number of pounds named in the supply bill then under consideration. At no time during his administration was any effort made to bring all the currency upon the basis of the new tenor bills. Indeed many of the acts authorizing the emission of bills of the new form, also provided for the re-issue of old tenor bills. The first issue of the new bills was in February, 1736-37. It was provided that the tax to be levied for the purpose of calling them in should be laid in terms of the bills themselves, but could be paid in other designated ways, among which was, in bills of the old tenor in the proportion of three for one. No thought was then given to the question whether the two distinct forms of public bills, having the same denominations, but receivable by the government at different values would be treated in trade with the same discrimination as those imposed upon receivers of government dues. In July, £20,000 new tenor were emitted and in the act authorizing this issue an attempt was made to provide a remedy for this omission in the law. It was enacted that all public and private debts which could be paid and discharged in and by province bills of the old tenor, might and should be discharged by the pro-

vince bills of the new tenor in proportion as one for three.<sup>1</sup> This provision did not in any way interfere with the operations of the "Act for the relief of and to prevent the oppression of debtors,"<sup>2</sup> which was still in force, under the provisions of which any debtor who should tender satisfaction and payment of his debt in good and lawful bills of credit of this province was exempted from liability to his person or estate under execution. The natural effect of this was that old tenor bills remained practically a legal tender for an ordinary debt. To secure payment of any debt in new tenor currency, there must, therefore, have been a special contract.

Three things in connection with the currency, which were of especial importance, confronted Shirley when he assumed office: 1. There was uncollected of the taxes laid for the redemption of the bills an amount which he sets at £322,407;<sup>3</sup> 2. There were outstanding bills for the calling in of which no taxes had been laid amounting to £105,525; 3. The "act for the relief of, and to prevent the oppression of debtors," would by its terms expire October 31, 1741. He distinctly charges the first delinquency upon his predecessors and especially mentions Belcher. "They neglected," he says, "to cause the treasurer to issue out executions, according to the law of the province, against the constables or other collectors of the taxes in the several towns, to compel 'em to bring the taxes in—which sort of postponing has been practised ever since the first emission of bills after the new charter in 1702, insomuch that a very great arrear of bills, outstanding for want of having executions issued out to bring 'em in, has been successively handed

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 2, p. 875.

<sup>2</sup> Act and Res. Prov. Mass. Bay, vol. 2, p. 589.

<sup>3</sup> Palfrey's History of New England, vol. 5, p. 105, note.

down from one governor to another, to the time of my entering upon the government." This neglect he immediately took steps to remedy.

With the large amount of taxes outstanding for which the officers in whose hands they had been placed had made no returns, and with no provision made for calling in so many of the bills in circulation, the province was clearly in no situation to profit by the qualified permission given in the royal instructions to issue £30,000 for annual expenses. Nevertheless the assembly proceeded to mature a bill for furnishing the government with funds in the usual manner, namely, by a new emission. Inasmuch as this act did not meet with Shirley's approval it would not be entitled to notice in this connection, were it not for the fact that an attempt was made therein to introduce an entirely new form of currency. It was proposed to issue a bill which should be equal to sterling money.<sup>1</sup> This is apparently the only instance in which any effort was made to get rid of the New England currency. Five shillings and two pence in the new bills were to be equal to an ounce of silver. The bills were to be drawn in during the years 1744, 45, 46, through taxes payable in public bills, in silver or gold or in commodities. Should any of the bills remain outstanding after the last of these taxes were paid they were to be redeemed in commodities. In this last provision we can perhaps trace the influence of the land bank. The bill was passed October 7th, and met with Shirley's disapproval on the 14th, not, however, on the ground that it transgressed the royal instructions, but

<sup>1</sup> Described in detail in Shirley's speech October 14, 1741. See Mass. Court Rec., vol. 17-3, pp. 134 *et seq.*

because of various objections that he had to certain features of the bill.<sup>1</sup>

After the rejection of this bill the assembly passed another supply bill in which they provided for the emission of £30,000 and this met with Shirley's approval.<sup>2</sup> In this act a provision was incorporated for calling in the outstanding £105,525 through taxes to be laid in 1742-43. The exigencies of the situation were such, that notwithstanding Shirley's failure to observe the royal instructions as to the time when these bills should be called in, the Privy Council gave a reluctant consent to the bill.<sup>3</sup> Simultaneously with the passage of the supply bill, Shirley secured the passage of an act which was described in its title as "an act to ascertain the value of money; and of the bills of public credit of this province granted this year for the supply of the treasury; and for securing the credit of said bills." <sup>4</sup> The discussion of this bill and an analysis of its effects will take place at a later period. For the present it is enough to refer for descriptive purposes to the title of the bill and to the following extract from a report made by Shirley to the Board of Trade, December 23, 1743: "I prevailed upon the assembly," he said, "to pass an act for securing to creditors the full value of their outstand-

<sup>1</sup> At a later date, January 4, 1743-44, a form of bill was submitted to the council, in which the promise to pay had been involved. The form was as follows:—The province of the Massachusetts Bay promise to pay the possessor hereof being an inhabitant of this province lawful money by the       day of       Anno Domini 17  
Dated       17       .

Witness, A. B., C. D., E. F., committee for signing the bills. An act for better securing the credit of this province bills. Mass. Arch. vol. 102, nos. 280, 281.

<sup>2</sup> Acts and Res. Prov. Mass. Bay, vol. 2, p. 1077.

<sup>3</sup> Palfrey's History of New England, vol. 5, p. 53, note.

<sup>4</sup> Acts and Res. Prov. Mass. Bay, vol. 2, p. 1083.



ing debts for the future, by making an allowance for the depreciation of the bills between the time of contracting the debt and the time of payment."<sup>1</sup>

These two laws were in the opinion of Shirley, "of more service to the country than all the acts of assembly that had been made since the first emission of bills in the province." On the day of their enactment, January 15, 1741-42, he delivered a speech to the assembly in which he announced with an air of great satisfaction that his Majesty had been graciously pleased in the royal instructions for the conduct of the government to omit that portion whereby Governor Belcher had been restrained from giving assent to any act authorizing the emission of public bills of credit, without inserting a suspending clause to prevent its taking effect until his Majesty's pleasure concerning it should be known.<sup>2</sup> Successful in securing the legislation which he desired in the province, and in obtaining from the crown a modification of the royal instructions, he felt for a time that his star was in the ascendant.

By the first of the acts of which Shirley had spoken with such complacency, thirty thousand pounds in bills of a new form were ordered to be emitted.<sup>3</sup>

<sup>1</sup> Palfrey's History of New England, vol. 5, pp. 103, 104, note.

<sup>2</sup> Mass. Bay House Journal.

<sup>3</sup> The form of the twenty shilling bill is given as follows :

No. (     ).

Twenty Shillings.

This bill of twenty shillings, due to the possessor thereof, from the province of Massachusetts Bay, shall be equal to three ounces of coined silver, Troy weight, of sterling alloy, or gold coin, at the rate of four pounds eighteen shillings per ounce ; and shall be so accepted in all payments, and in the treasury. Boston, 1741.

By order of the general court or assembly.

} Committee.

Bills of this form were thenceforth called new tenor, while those of the form adopted in 1737 were generally known thereafter as middle tenor bills but were sometimes spoken of as first new tenor bills.<sup>1</sup> To understand clearly the change in the form of the bill of public credit, it is necessary to recall the fact that under the act of 1737, while the declared value of the bills was the same as that which was set forth in those of the new form, their acceptance was compulsory only in certain payments to the treasurer, among which duties of impost, of tunnage and shipping, and income of the light house were not included. Bills of the new form, were, however, to be accepted in all payments and in the treasury. The act for the relief of debtors had by this time expired. The new bills had, therefore, a complete legal tender function.

Any debt of four shillings contracted prior to the passage of this act, specialties and express contracts in writing excepted, could be discharged by one shilling of the bills then emitted. The taxes to be laid for the purpose of calling in the bills were to be distributed over several years in the future, and notwithstanding Shirley's expressed aversion to the use of commodities for this purpose, it was enacted, that the inhabitants of the province could have the liberty to pay the sums to be assessed for this purpose in certain of the produce and manufactures of the province at prices to be fixed in a specified way, they to run the risk and pay the charges of transportation to the treasury.

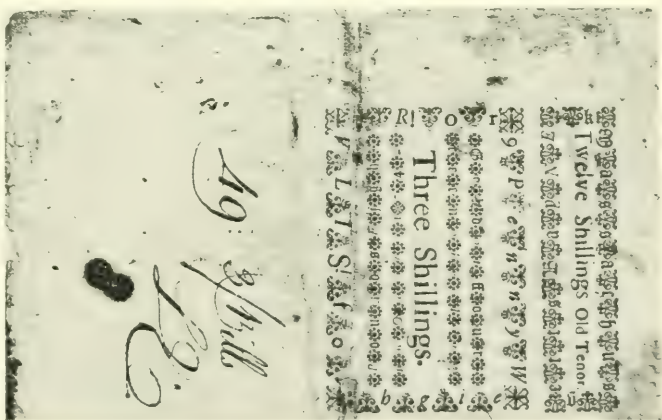
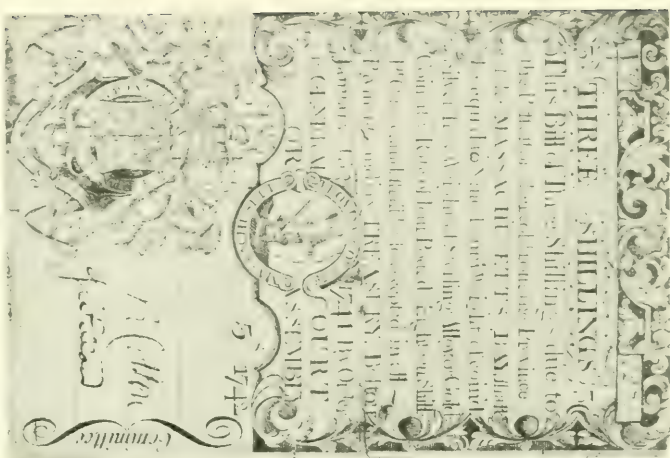
The new bills of credit or coined silver at 6s. 8*d.* per ounce, or coined gold proportionately, could also be used

<sup>1</sup> These bills had still another title by which they were sometimes designated, viz. : "Three-fold tenor," based upon their ratio to old tenor. Rev. Nathaniel Appleton's Fast-day Sermon, January, 1747-48. pp. 40-41.

to meet these taxes, but in this connection old tenor bills are not mentioned. This is, perhaps, to be accounted for by the fact already alluded to, that in this act provision was made for the levying of taxes equal in amount to the bills of that form, which were then outstanding without previous legislation looking towards their retirement.

One other feature in this act deserves especial mention. An attempt was made to provide against the wilful negligence of future assemblies, by directing the treasurer to issue his warrants requiring the assessments to be made at the times provided by the act for the retirement of the bills. This form was followed in subsequent acts of emission.

Notwithstanding the fact that the expressed values of the bills of the middle tenor and of those of the new form were the same in silver, 6s. 8d. in each being equal to an ounce of silver, they were rated at different values in old tenor bills in the acts under which they were emitted. The former were by the terms of these acts receivable for government dues at the rate of one to three of old tenor, while the latter were to be accepted in the proportion of one to four. That is to say, they were pronounced to be of equal value when measured in a medium of trade which had no circulation in the province, but when their value was estimated in the prevailing currency of the province the one was only worth three fourths of the other. This discrimination on the part of the government gave an effective value to the new bills thirty-three per cent. above the middle tenor bills. One pound in bills of the last issue was practically equal to one pound, six shillings and eight pence of the other. The incongruity of the situation seems to have caused some perplexity, to relieve which a reso-







lution or order was passed by the assembly, April 16, 1742, instructing government officers to receive the bills on the above basis.<sup>1</sup> While the legal tender quality of the new bill doubtless added something to its value still, if any reliance was to be placed upon the promises of the province, the middle tenor bill ought to have been the more valuable of the two. In every act authorizing the emission of these bills a provision was inserted to the effect that at any time after December 31, 1742, any person who should have any of them in his possession might bring them to the treasurer and receive in exchange for every six shillings and eight pence in bills one ounce of silver. The province therefore, was pledged to redeem these bills in silver within less than nine months from the date of this resolve. Nor could the assembly plead ignorance or forgetfulness on this point, for Shirley had called their attention to the fact in a message delivered on the 15th of January, 1741-42, only three months before the passage of the order.<sup>2</sup> Rhode Island bills, he said, emitted in 1740 and redeemable only at a distant period in the future passed current at the rate of one for four of old tenor, while the new tenor bill (he thus denominated the bill that just after that date became known as the middle tenor bill) was received only on the basis of one to three. The new tenor bill was redeemable in silver, he said, in less than one year and making due allowance for the future period of its redemption it was worth then at least 6s. 5*d.* in silver. If the distant period of time fixed for the retirement of the Rhode Island bill were taken into consideration its value then according to the custom

<sup>1</sup> Mass. Bay House Journal, April 16, 1742: Acts and Res. Prov. Mass. Bay, vol. 2, p. 1104.

<sup>2</sup> Mass. Bay House Journal, Jan. 15, 1741-42.

of merchants in estimating such things was not more than 3s. 5d. Yet the Rhode Island bills circulated, he said, at the rate of 25 per cent. more than the new tenor bill.<sup>1</sup> Shirley's calculations were based upon the theory that the promises to redeem on the part of the governments meant something. The action of the assembly in April would seem to indicate that so far as the province of the Massachusetts Bay was concerned they did not agree with him. £46,000 in these bills had been printed. They had been issued and re-issued and many of them were still outstanding. Through some mistake made in the treasury there was some difficulty in identifying the specific bills entitled to redemption after December 31, but it was, nevertheless, clear that unless something should be done by the assembly, the province was in imminent peril of being obliged to discredit its own obligations. Notwithstanding this fact, no effort was made to get these bills out of the way, but on the contrary, their discredit was maintained by the government and no effort was put forth to prevent it until December 23, 1742.<sup>2</sup> On that

<sup>1</sup> "At this time the middle tenor bills which were current, passed at 33 and a 3d per cent. less than the Rhode Island bills of the same tenor and equal denomination with themselves, tho' the middle tenor bills were within eight or nine weeks of the time limited for their redemption, and the Rhode Island bills were not redeemable at all with silver and gold, and the period for drawing them in was at 18 years distance; so that according to the common rule of discount the Rhode Island bills were of less value than the middle tenor bills 60 per cent. at least. This is a demonstrative proof of what little expectation the people in general had that the middle tenor bills would be exchanged at the treasury, or rather of the general persuasion that prevailed that the possessors of these bills would have no satisfaction from the government."

An enquiry into the state of the bills of credit of the province of the Massachusetts Bay in New England, in a letter from a gentleman in Boston to a merchant in London. Printed in the year 1743.

<sup>2</sup> A committee was appointed in June to report some proper method for calling in and changing the outstanding bills for bills of the latest

date the council sent a message to the house, calling attention to the situation. They said, "it appears to this board that there is as yet no sufficient provision made for the treasurer's paying off the said new tenor bills which are outstanding, and may be in the hands of private persons, who will have a just and legal right to demand of the treasurer silver or gold for said bills." They thought it would "reflect much upon the justice of this government, if any demands of this nature should be made on the treasurer when he is not furnished to answer them." They, therefore, earnestly recommended the House to make a speedy and effectual provision for sinking and paying off the said bills. The house on the next day passed an order that bills of the first new tenor<sup>1</sup> otherwise called middle tenor should be received on an equality with bills of the last emission, but this did not satisfy the council and they non-concurred in the order. On the 24th of December, an order passed both houses authorizing the treasurer to exchange the bills at par.<sup>2</sup> On the passage of this last resolution Shirley sent a message to the house in which he said, "I am glad to have the opportunity of giving my consent to your late vote for setting the bills called first new tenor bills, at par with the bills of the late emission in the receipt of the province treasury."<sup>3</sup>

Shirley's interest in this matter was very great and at a later date in a report to the Board of Trade he said, "had I not watched to perfect the vote of the assembly

form and tenor, but this committee evidently accomplished nothing. Mass. Arch., vol. 102, no. 242.

<sup>1</sup> Mass. Bay House Journal.

<sup>2</sup> Mass. Arch., vol. 102, no. 279.

<sup>3</sup> Mass. Bay House Journal, Dec. 23-28, 1742; Acts and Res. Prov. Mass. Bay, vol. 2, p. 1104; see also Preamble, Ch. 15, Laws 1742-43, *Ibid.*, vol. 3, p. 33. This action necessarily created a deficiency in the funds for drawing in the bills of public credit. This was provided

passed for that purpose by instantly giving my assent to it, the assembly would have reconsidered and retracted it in less than twenty-four hours afterward."<sup>1</sup> The remedy was not perfect, but it was better than nothing. It was the only instance in which any allowance of the kind was made to holders of public bills.

The work of repairing the fortifications and generally preparing for defence from invasion in which the province had now for some time been engaged, involved the expenditure of considerable sums of money. It was absolutely impossible to carry out this work if the restraint imposed upon the province by the royal instruction as to the emission of currency, was to be maintained in its integrity. Shirley made representations to the Board of Trade on this point which resulted in a temporary removal of the restraining clause, or rather an expansion of the limit. On the 9th of September he announced this fact to the assembly, saying that seven or eight thousand pounds additional could be emitted for finishing the works and fortifications.<sup>2</sup>

In the spring of 1744, war broke out between France and England. Formal declaration of war was made from the balcony of the state house in Boston on the 2nd of June.<sup>3</sup> Three weeks before this event hostilities had been inaugurated on this continent by the French at Canso. The existing Spanish war had been warning enough of impending danger to cause Shirley to make the efforts already put forth to place the province in a

for by the passage of "an act for apportioning and assessing a tax of eight thousand pounds in bills of the tenor and form last emitted" (Acts and Res. Prov. Mass. Bay, vol. 3, p. 33), in January, 1742-43, the tax to be levied in 1746.

<sup>1</sup> Given in Palfrey's *History of New England*, vol. 5, p. 107, note.

<sup>2</sup> For the royal instructions see *Mass. Arch.*, vol. 102, nos. 302, 303.

<sup>3</sup> *Acts and Res. Prov. Mass. Bay*, vol. 3, p. 216.

better posture for defence. However burdensome and dangerous to the welfare of the province were the emissions of currency which had been made for this purpose, the results caused by them were insignificant when compared with the effect of the flood of bills now about to be put forth for the equipment and support of the province troops in the contest in which they were about to engage with the French in Cape Breton and Canada. Up to this time, the restraint of the £30,000 limit imposed by the royal instructions had not been modified, with the exception of the permission for £8,000 additional, announced by Shirley in September. It was evident, however, that if the province was to be expected to wage war upon this continent in behalf of England, extraordinary expenditures must necessarily be made. Under the pressure of these circumstances the restrictions upon the issue of the currency were withdrawn and Shirley was allowed in cases of emergency to give his consent to such acts as might be necessary for the supply of the treasury with bills of credit during the continuance of the present war.<sup>1</sup>

In June, 1744, an act was passed in furtherance of the policy already inaugurated for supplying the treasury with funds for putting the province in a better posture of defence.<sup>2</sup> In this act a new form of bill was adopted which was familiarly known thereafter as the last tenor bill.<sup>3</sup> The last previous form of bill had been declared

<sup>1</sup> Royal instructions, August 9, 1744.

<sup>2</sup> Acts and Res. Prov. Mass. Bay, vol. 3, p. 148.

<sup>3</sup> The form of the twenty shilling bill is given as follows :

No. (        )

Twenty Shillings.

This bill of Twenty Shillings, due to the possessor thereof from the province of the Massachusetts Bay, shall be equal to two ounces thirteen pennyweight and eight grains of coin'd silver, troy weight, of sterling alloy, or



to be equal to silver of sterling alloy, at 6s. 8d per ounce, Troy weight, so that a twenty shilling bill was to pass at the same rate as three ounces of silver. The bills of the present form were to be equal to silver at 7s. 6d. per ounce, so that the equivalent weight of silver for a twenty shilling bill was two ounces, thirteen penny-weight and eight grains. The function of the new bills was limited to payments in the treasury.

It was provided that the payments could be made for the taxes which were to be laid for calling in these bills either in bills of credit of the form and tenor by this act emitted, or in bills of the last emission, or in bills of the middle tenor according to their several denominations, or in silver or gold. Old tenor bills were to be received on the basis of four to one of either of the above forms. Commodities were to be received for the same purpose at prices to be fixed by the assembly, the risk and charge of transportation to be borne by the taxpayer.

The adoption of the new rate for silver does not mean that there had been a change in the market value of the metal. It is obviously a mere recognition of an existing depreciation of the bills of public credit, its purpose being probably to furnish a new starting point from which the courts could measure the same.

Notwithstanding the clause in the bills of this issue to the effect that they were to be accepted in the treasury, their function in this regard was limited in the tax levy of that year to one fifth part of the province tax, liberty being given to each inhabitant of the province to

gold coin at the rate of five pounds ten shillings and three pence per ounce and shall be so accepted in all payments in the treasury, agreeable to act of assembly, . . .

1744.

By order of the General Court or Assembly.

} Committee.

pay his assessment, "one fifth part thereof, and no more, in bills of the last emission." About one fifth of the bills of this issue were to be retired in 1744, the remainder in the years 1745 and 1746. The purpose of the assembly may be assumed to have been to keep the four-fifths out. Whatever the motive which induced the assembly to place this restraint upon collectors of taxes with regard to the bills of this emission, they were soon overcome by the difficulties inherent in the attempt to carry out this limitation, and on the 19th of December, 1744, a resolution was passed authorizing collectors to receive them for taxes in common with other new tenor bills in 1746.<sup>1</sup>

January 9, 1744-45, the treasurer was authorized to issue £10,000 of these bills.<sup>2</sup> The bills were to pass in all public payments equal to other new tenor bills emitted since 1740. They were to be called in by taxes of future dates, and payments of these taxes could be made in bills of credit of the form and tenor by this act emitted, or in other new tenor bills, or in bills of the middle tenor according to their several denominations, or in bills of old tenor, accounting four for one; in silver at 7s., 6d. per ounce; in gold proportionately; or in certain commodities. All subsequent emissions were made in bills of this form and on these terms.

In the tax acts the nominal rate at which silver would be received was maintained at 6s. 8d. until 1747, when the new rate was for the first time incorporated in these acts. This was to be attributed to the fact that by that

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 3, p. 168. The phrase "bills of the last emission" in the supply bill meant bills of the form first adopted in 1742. As used in the tax act, the same phrase refers to bills of the last form.

<sup>2</sup> Acts and Res. Prov. Mass. Bay, vol. 3, p. 190.

time the first of the bills issued at that rate were due for retirement.

Acts authorizing emissions of public bills for the purpose of putting the province in a better posture for defence were passed June, 1744, and January, 1744-45. On the 9th of February, 1744-45, came the first of the various issues made to meet the expenses of the Louisbourg expedition. From June, 1744, to March, 1746, inclusive, a little over £346,000 of public bills of the last form were issued, or if converted into old tenor, over £1,384,000. Then came the Canada expedition.

The ambition of Shirley had embarked the province upon a military career. Success had crowned an expedition, undertaken under circumstances which seemed to preclude the possibility of such a result. Louisbourg had fallen, and now the French must be driven off the continent. The mad career of the province in the reckless issues of public bills will be better appreciated if submitted to inspection in tabular form :

Month.		Year.	Amount.	When redeemable.	References in Prov. laws.
June	23	1744	£26,037, 10s	1744, 45, 46	III, 148
January	9	1744-45	10,000	1745, 46	III, 190
February	9	1744-45	50,000	1747, 48	III, 199
April	6	1745	50,000	1749, 50	III, 204
July	9	1745	70,000	1751, 52	III, 244
August	7	1745	70,000	1753, 54	III, 249
February	3	1745-46	50,000	1755, 56	III, 254
March	11	1745-46	20,000	1755, 56	III, 260
July	1	1746	82,000	1757, 58, 59, 60	III, 292
July	1	1746	25,000	1757, 58, 59, 60	III, 297
August	19	1746	20,000	1749, 50	III, 302
September	13	1746	10,000	1747, 48	III, 310
November	15	1746	20,200	1757, 58, 59, 60	III, 314
March	2	1746-47	8,200	1747	III, 322
April	27	1747	20,000	1747, 48	III, 334
July	2	1747	8,000	1748	III, 357
December	12	1748	34,000	1748	III, 376
March	31	1748	25,000	1748	III, 380
June	27	1748	100,000	1749	III, 408

These issues were all of them in bills of the last form. They represented in old tenor £2,793,750, and after allowing for all retirements provided for by law there were outstanding in the spring of 1749, about £2,100,000 old tenor. Under authority conferred by the act for drawing in the bills of credit, passed in January, 1748-49, the treasurer of the province issued his warrants, in the summer of that year, to the tax collectors for £75,000 in bills of the last form, or £300,000 old tenor, thus reducing the amount which ought to have been outstanding to about £1,800,000 old tenor. With silver rated by statute at 7*s.* 6*d.* an ounce in bills of the last form, and old tenor four to one, these being the ratings given in the act of emission passed in 1744, when the last form of bill was for the first time issued, we have the price of 30*s.*, old tenor, an ounce for silver, acknowledged in 1744. From this point the rate rose rapidly with the repeated issues of public bills until 60*s.* an ounce was reached. No variation, however, was made in the form of the bill. 7*s.* 6*d.* in bills were still said to be equal to one ounce of silver, and four shillings old tenor were still to be received for one shilling of the last form. Practically old tenor currency was the medium through which values were measured during this period. As the discrepancy increased between the rate at which bills of the last form were nominally issued and their actual value in the market, there was no other way to state the value of exchange or silver than in terms of old tenor currency. So violent were the fluctuations of sterling exchange, or, perhaps it would be more accurate to say so eccentric were the various rates of speed at which it rose, that Hutchinson, who states that the lowest point of depreciation

reached was eleven for one, adds in the same paragraph, that perhaps "the difference was really twelve to one." The variation of a fraction of one per cent. will to-day determine the direction of the movement of gold across the Atlantic, but whether the limit that exchange then reached was 1200 or 1100 Hutchinson, a careful contemporaneous observer, could not say. In London, exchange was vaguely spoken of at that time as having risen to more than one thousand per cent.<sup>1</sup> It is obvious that under such conditions it was impossible to speak definitely upon this point, and it is difficult to conceive how the market rate could have been ascertained.

This condition of affairs had been brought about through the military ambition of Shirley. The emission of a few public bills of credit was as Hutchinson said, "an easy way of paying public charges." This lesson the council of war at Louisburg had learned and they proceeded to apply it in providing means of their own devising to meet their emergent expenses.

On the 15th of July, 1745, at a meeting of the council held at the citadel in the city of Louisburg, at which the Honorable William Pepperell, President, and the Honorable Commodore Warren were present, the following vote was passed :

Advised, that notes or bills under the hands and seals of Gen<sup>l</sup> Pepperell and Com<sup>re</sup> Warren be made to the value of ten thousand pounds, New England currency of the old tenor, to pay off the workmen employed on the repairs till money can be had here to exchange them.

That said notes or bills be of the denomination of 5/, 10/, 15/, 30/, & £3,—two thousand pounds of each, and of foll<sup>s</sup> tenor.

<sup>1</sup> Letter of Christopher Kirby to the house of representatives, January, 1747-48. Mass. Arch., vol. 20, no. 408. Memorial of merchants and others trading and interested in New England to the Lords Commissioners of the Treasury, [September 21, 1748.] Mass. Arch., vol. 20, no. 445.



(No. )

Louisbourg.  
1745

(Denomination.)

The possessor of this bill issued for service done on the repairs and for contingent charges of this garrison is entitled to New England currency of the old tenor, from us.

SEAL.

Name.

SEAL.

Name.

That all the bills of each denomination be written by the same hand.

That Jos. Dwight }  
And. Burr } Esq<sup>rs</sup>  
W<sup>m</sup> Williams }  
Ric<sup>d</sup> Gridley }  
In<sup>o</sup> Storer }

be a committee to prepare said bills.

That a proclamation be issued, notifying that the possessors of said bills shall have them exchanged at the Treasury here, and prohibiting the altering, counterfeit<sup>g</sup>, or forging any of them, or passing them know<sup>g</sup> them to be altered, counterfeited or forged, on penalty of the person or persons so offending having one of their ears cut off and paying treble damages upon due conviction.<sup>1</sup>

Concerning the emission of these bills we know nothing, except what is contained in the foregoing order. Their influence upon the situation was not felt in the province. The fact that such bills were emitted is a curious commentary on the times, but is otherwise of little consequence.

<sup>1</sup>The foregoing order is from vol. 10 of the 6th series Coll. Mass. Hist. Soc. devoted to the Pepperell Papers, pp. 37, 38. I am indebted to Mr. Charles C. Smith for his kindness in calling my attention to it.

## CHAPTER IX.

### ATTEMPTS AT ADJUSTMENT OF DEBTS.

Before resuming the chronological narrative of the currency question, it is important that we should devote a short time to the consideration of the adjustment of debts, a subject which had been full of perplexities from the beginning of the issue of paper money, but which during the inflation under Shirley became practically incapable of any just solution.

We have seen that in 1742, Shirley took great pride in the passage of two laws, in the shaping of both of which he believed that his influence had been paramount. The first of these, the supply bill, has already been considered. The second, the act for ascertaining the value of money, belongs to a class of legislation, which requires for its clear comprehension, that it should be examined independently from the question of emissions. The various struggles that took place in Shirley's time in connection with the interpretation and enforcement of this act, are so confusing in their details, and yet at the same time so important in their bearing upon events, that even if the general subject were not entitled to separate consideration, the narration of the facts associated with this attempt to protect creditors would compel independent investigation.

For nearly thirty years the act for the relief of, and to prevent the oppression of debtors, originally passed in 1712, had by various extensions been maintained as the law of the land. Practically, as has already been said, it made old tenor bills a legal tender. Shirley was thoroughly opposed to the principle embodied in this

law, which by the terms of the last extension was, when he assumed office, about to expire. He charged that through the instrumentality of this act injustice had been done to creditors in the past, particularly to British merchants, who had through the depreciation of the bills continually suffered large discounts in the adjustment of their accounts. He included also among the sufferers, widows and orphans residing in the province, whose estates were injured in a similar way. He gave figures showing the advance, during certain periods, in the rate of exchange between bills of credit and sterling money, and pointed out the injustice of compelling creditors to accept the depreciated bills in settlement of their debts. With a certain amount of confusion in his attempts to express the discount, he asserted that it "was the same thing as if the government had passed a law in each of those years that creditors in trade should be obliged to accept twenty, a hundred and ten, and a hundred and sixty per cent. less than the real value of their debts."<sup>1</sup>

So long as Shirley entertained these views it was impossible to secure by legislation any further extension of this act. There were, however, several abortive efforts made, in one direction and another, to secure a settlement of the question underlying the act, before a final agreement was reached between the house, the council, and the governor. Two days after Shirley delivered his inaugural address, and probably before his views were thoroughly appreciated, a committee was appointed by the assembly to consider what should be done in view of the fact that the act for the relief of debtors was about to expire, and in the same month an act for ascer-

<sup>1</sup> Palfrey's *History of New England*, vol. 5, pp. 102-103, note.

taining the value of paper currency within this province and fixing a medium to supply the place of it, was matured in the council, but unanimously rejected by the house. In a supply bill which was enacted by the assembly but rejected by the governor in October, 1741, a complicated scheme was incorporated for the adjustment of outstanding debts. They were to be classified in three divisions: I. Those contracted prior to October 31, 1729; II. Those contracted between that date and October 31, 1735; III. Those contracted subsequent to the last date. The act contained a provision for the emission of a new note on a sterling basis, and in the scale for the adjustment of debts this note was recognized, but taking old tenor bills as the measure, debts of the first class were to be settled in these bills, on the theory that silver was then worth 20s. an ounce. For the second class, the bills were rated in a similar way as equal to silver at 24s. an ounce, and for the third the rate was fixed at 28s. 6d. an ounce.

We are indebted to this act for a lengthy message of disapproval from Shirley, in which, after mentioning his objection to the bills proposed to be issued, both on account of their form and that they were made a legal tender for debts, he argued that the payment of taxes in commodities laid the province open to prejudicial combinations on the part of those who could control their prices, and then went on to review the situation in detail, and point out the progress of the depreciation of the bills of public credit. He disapproved of the scale proposed for the adjustment of debts, and stated that between 1712 and 1730, exchange had risen from 50 per cent. premium to 250 per cent., and now it was 450 per cent. He also disapproved of the combination of the equitable part of the bill with a

supply bill. It will be seen that the basis for the adjustment of debts contracted after 1735, in the proposed bill, corresponded closely with what Shirley says the premium was. The message was an able document and doubtless had weight with the assembly,<sup>1</sup> for they did not in this case, as they had frequently done with other governors, grimly assert that they had done the best that they knew how to furnish a supply to the government, and put forth the claim that it was not their fault if there were no funds, but in due course of time, they matured a bill in consonance with Shirley's views. They also detached the subject of the adjustment of debts from the supply bill and enacted in January, 1741-42, the second of those bills which Shirley thought of so much value to the province.

The act for ascertaining the value of money, etc., provided that all coined silver of sterling alloy should pass at the rate of 6s. 8d. per ounce, Troy weight. All private trade and dealings where no other lawful money or thing was expressly contracted for, were to be considered as intended to be in and for the money aforesaid. That is to say, silver coin at 6s. 8d. per ounce was to be the basis of private contracts unless something else was specified.

The effect of the foregoing was, however, modified by subsequent sections which provided that the province bills emitted for the supply of the treasury that year should be taken on the basis of the above rate of silver. For five years from the last day of March, 1742, all debts where no special method of payment was provided, were to be deemed to be upon a silver basis. A debt of six shillings and eight pence could be paid with an ounce

<sup>1</sup> Mass. Bay House Journal, Oct. 14, 1741.

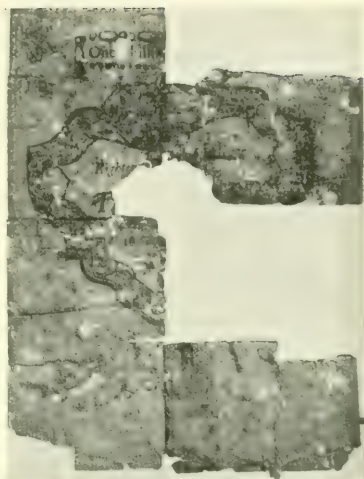
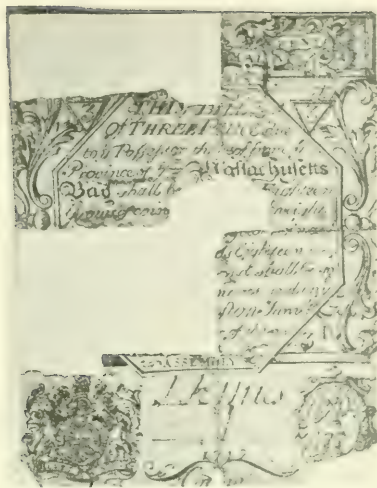


of silver, or with six shillings and eight pence in the bills emitted that year, or in so much of the province bills thereafter to be emitted as would purchase an ounce of silver. Special provision was made for the depreciation of the bills. In case they should pass at a lower rate than that set by the act, an allowance was to be made to the creditor, and the depreciation was to be estimated once in six months by the General Assembly or if they should fail to do so, then by a committee composed of the eldest councillors from the several counties, and if they also should fail in their duty, then the superior court of judicature was to appoint a jury for the purpose. The price of silver and the cost of bills of exchange were to be the means of determining the depreciation. Grants made by the assembly payable in sterling money, which were to be settled out of the money which should be raised under the supply act of this year, were to be paid at the rate of 5*s.* 2*d.* sterling for 6*s.* 8*d.* of the bills emitted. It will be seen that if the normal rate of exchange was 1.33  $\frac{1}{3}$ , this conversion was based upon silver at 6*s.* 10  $\frac{2}{3}$ *d.* per ounce.

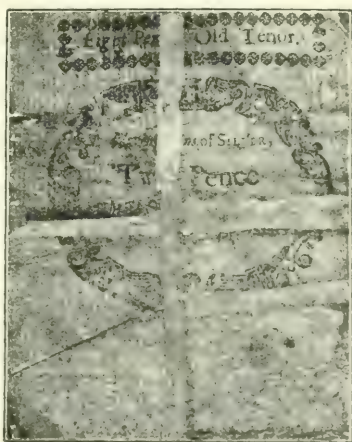
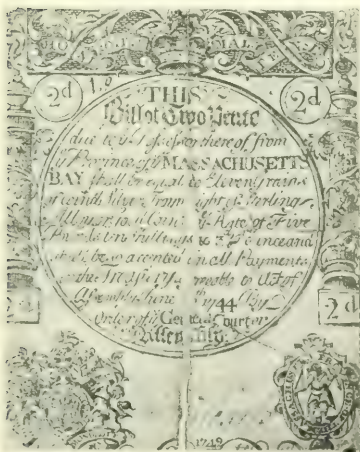
Hutchinson<sup>1</sup> thus describes this act: "This was a scheme to establish an ideal measure in all trade and dealings, let the instrument be what it would. The act which passed the court declared that all contracts should be understood payable in silver at 6*s.* 8*d.* the ounce, or gold in proportion. Bills of a new form were issued, 20*s.* of which expressed in the face of the bill three ounces of silver, and they were to be received accordingly in all public and private payments, with this saving, that, if they should depreciate in their value, an addition should be made to all debts as much as the de-

<sup>1</sup> History of Massachusetts (ed. 1795), vol. 2, p. 361.

# PLATE 12.



Bill for 3d. This plate was originally prepared for the bill for 8d. under the Act of 1741-42, and was altered to 3d. by authority of Resolutions of Jan. 14, 1742-43. Photographed by permission of the American Antiquarian Society. Size,  $3\frac{3}{4}$  in. x  $4\frac{3}{4}$  in. The back bears the woodcut prepared for the bill for 3d. in 1737.



Bill for 2d., emitted under the Act of June 20, 1744, the engraved designs for the bill being those prepared for the 1742 emission. The date 1742 appears over the word "Committee." The woodcut on the back was prepared for the one-penny bill, 1737. Photographed by permission of the Lenox Library. Size,  $3\frac{3}{4}$  in. x  $4\frac{3}{4}$  in. The bills of this date are third new tenor bills.



preciation from the time of the contract to the time of payment. How to ascertain the depreciation from time to time was the great difficulty in framing the act. To leave it to a common jury would never do. There was some doubt whether a house of representatives would be wholly unbiased. At length it was agreed that the eldest counsellor in each county should meet once a year and ascertain the depreciation." Later, speaking of the operation of the law, he says,<sup>1</sup> that "the counsellors appointed to estimate the depreciation never had firmness enough in any instance to make the full allowance, but when silver had rose 20 per cent. or more, an addition was made of four or five only. The popular cry was against it, and one year when Nathaniel Hubbard, Esquire, the eldest counsellor for the county of Bristol, a gentleman of amiable character, and who filled the several posts he sustained with applause, endeavored to approach nearer to a just allowance than had been made in former years, he felt the resentment of the house, who left him out of the council next election. In short, the act neither prevented the depreciation of the bills, nor afforded relief in case of it, and was of no other service than to serve as a warning, when an act was passed for establishing a fixed currency a few years after, to leave nothing to be done by any person or bodies of men, or even future legislatures, to give the act its designed effect, but in the act itself to make full provision for its execution in every part."

The act for the relief of debtors had expired October 31, 1741. The section in the new act defining the method in which the new bills might be used in the ad-

<sup>1</sup> History of Massachusetts (ed. 1795), vol. 2, p. 362.

justment of debts did not go into effect until April 1st, 1742. In the supply bill passed July 1, 1742, this gap was covered by a provision that debts contracted prior to October 31, 1741, payable in old tenor, and also any debt contracted in the interval between that time and April 1, 1742, where the parties had not expressly agreed otherwise, could be discharged by the new bills in the proportion of one to four, old tenor. This provision as to the reception of the bills in payment of debts was re-enacted in the supply bills of January, 1742-43, and November, 1743.<sup>1</sup>

The act for ascertaining the value of money seems to have made the debtor class of the community restless, and their efforts for relief began to crop out in various schemes for legislative interference. In December, 1742, an "act to enable debtors to discharge all specialties and express contracts in writing, with province bills according to equity and good conscience", was put through the preliminary stages, but finally failed of passage.<sup>2</sup> In April, 1743, an "act for the equitable payment of bonds and debts contracted before the last day of October, 1741", was bandied about between the board and the house,<sup>3</sup> it being evident from the record that there was a wide difference of opinion between the two bodies as to the character of legislation required in this direction. On the 19th of April, the bill being then in possession of the council at the stage of engrossment, the house sent up to the board asking that it be sent down to them. On the receipt of the bill, they passed a resolve, in the preamble of which they called attention to

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 3, pp. 11, 32, 115.

<sup>2</sup> Mass. Bay House Journal, Dec. 24, 29, 31.

<sup>3</sup> Mass. Bay House Journal, Jan. 7, 1742-43, April 6, 1743, April, 7, 8, 12, 14, 19, 1743.



the fact that under the direction of the superior court of judicature, a committee had established the value of an ounce of silver in bills of the last form at 7*s.* 2*d.* It did not appear it was said that there had been any such depreciation of the bills of public credit.<sup>1</sup> It was, therefore, unanimously resolved by the house that all debts contracted between March 31, 1742 and March 31, 1743, specialties and contracts excepted, should be deemed and adjudged equal to the real value only that such bills passed at when such debts were or should be contracted. If the bills should depreciate then an allowance should be made. This was sent up to the Board, but met with a unanimous non-concurrence. The council then voted that a committee should be ordered to prepare the draft of a bill for explaining such clauses of any of the acts of this province then in force as related to the payment of debts contracted prior to October 31, 1741, in bills of this province. In this action the house concurred, and as a result of the discussions which then took place an act in explanation of sundry acts of this province relating to the payment of private debts contracted before the 31st day of October, 1741, was agreed upon, and on its final passage on the 21st of April, just before the close of the session, this bill appears from language used by Shirley to have received the unanimous approval of the assembly.

Notwithstanding this fact, Shirley stated that the matter was too important for him to give his approval without making some investigation of the subject. He would announce the result of his examination at the next session. This he did on the 27th of May, immediately after the opening of the General Court at the May

<sup>1</sup> Mass. Arch., vol. 102, no. 289, Mass. Bay House Journal, April 19, 1743.

session. He had in the meantime made a thorough research into the practice of the courts in entering up judgments, and the message, in which he set forth the results of his investigation, though perhaps unnecessarily verbose and more in the nature of an attorney's brief than a state document, was, nevertheless, a paper of considerable merit, containing much information of value. He intimated that it was impossible to explain away the obvious meaning of a statute by a palpable misconstruction, and while he felt constrained to withhold his consent from the act as passed, he pointed out certain features which met his approval.<sup>1</sup>

On the 8th of June, a resolution was passed by the assembly and approved by the governor, which seems to have been based upon the facts set forth in the governor's speech, in which it was asserted that from 1712 to 1742, it had been the uninterrupted practice of the courts in chancering penalties upon all bonds and mortgages, the conditions of which were the payment of bills of credit or lawful money,<sup>2</sup> to make up judgments for the nominal sum expressed in the conditions of such bonds with the addition of interest due thereon ; and the executions awarded on said judgments had been levied by the sheriffs for the value of the nominal sum, in bills of credit of the old tenor. After the passage of the supply bills of July, 1742, and January, 1742-43, some of the judges, in making up judgments on bonds and mort-

<sup>1</sup> Mass. Bay House Journal for April and May, 1743.

<sup>2</sup> Lawful money down to 1737 must have been the piece of eight of 17 dwt. at 6s. Silver in this money was rated at 7s. 3f. an ounce. The new tenor money was said to be equal to silver at 6s. 8d. per oz. It would seem as if this must have furnished a definition for lawful money at this point, but the situation is further complicated at a later date by the piece of eight being rated at 6s. in the same act in which the ounce of silver is declared to be worth 6s. 8d.

gages, made allowances for depreciation from the time the debts were contracted. It was, therefore, resolved by the General Court that this course if pursued would be attended with manifest injustice and oppression. The courts were consequently empowered to reconsider such judgments and were recommended to return in the future to their former practice in such cases.<sup>1</sup>

On the 27th of May, 1743, Shirley said to the assembly, "I think the General Court in 1736 gave the creditors an expectation that the outstanding bills of the old tenor should be exchanged at the treasury in 1742 for silver at the rate of one ounce for every twenty shillings in bills." In discussing the question of who was entitled to relief, he drew a distinction between hoarders of bills and ordinary creditors. Again, on the 10th of June, 1743, he adverted to this subject in a general review of the currency question and of the effect of the depreciation upon debtors and creditors. He approved of the action taken in chancering bonds and mortgages, but thought the province should make good the loss to creditors. He called attention to the various clauses in the acts authorizing the emission of bills, under which liability on the part of the province to maintain the bills at certain standards might be implied. The acts of 1736-37-38 he said made twenty shillings old tenor equal to one ounce of silver, but in 1741, the assembly had reduced this value one-quarter.<sup>2</sup> He thought creditors entitled to some protection against such legislation. He admitted that at the very time that some of these

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 3, p. 68; Mass. Arch., vol. 102, no. 293.

<sup>2</sup> This is Shirley's method of stating the fact that the first new tenor bills were receivable one for three of old tenor, the second one for four.

acts fixed the value of silver in old tenor bills at 20s. an ounce it was actually worth 27s., but he thought by some means an equitable adjustment could and ought to be made.<sup>1</sup>

In the quotation from Hutchinson, relative to the operation of the act for ascertaining the value of money, we have seen that he attributed to the committee of councillors, unwillingness to recognize the actual extent of the depreciation when they were called upon to determine the rate, and that there was doubt whether the house of representatives would have been unbiased. The resolution already referred to, passed by the assembly, April 19th, was embodied in an act in June of that year.<sup>2</sup> An examination of this act will forcibly recall this suggestion.

In the preamble, the facts set forth in the house resolution were repeated. It was asserted that the judges of the superior court, in pursuance of the law, had made inquiry as to the depreciation, by a committee appointed for the purpose, that this committee had lodged a certificate in the secretary's office to the effect that seven shillings and two pence of bills of the last form and tenor were equal to one ounce of silver, whereby an addition of six pence was made upon every debt of six shillings and eight pence. No such depreciation, it was

<sup>1</sup>This fact was stated by one of the pamphleteers of the day as follows: "At the time of emitting the middle tenor bills the price of silver in bills of the old tenor was twenty-six shillings and eight pence at least per ounce, notwithstanding which twenty shillings in old tenor bills (which would not purchase more than three-quarters of an ounce of silver) was by that act made equal in all public payments to six shillings and eight pence of the middle tenor bills, which by the same act is valued equal to an ounce of silver." An enquiry into the state of the bills of credit of the province of the Massachusetts Bay, etc., etc., 1743, p. 15.

<sup>2</sup>Acts and Res. Prov. Mass. Bay, vol. 3, p. 80.

said, had taken place. The bills were of as much value for the purchase of exchange when the certificate was filed as they ever had been. The trouble lay with the debtor who had not strictly followed the law. Every debt of six shillings and eight pence was declared by the law to be equal to one ounce of silver, and the debtor ought to have regarded his debt as payable in lawful money. Public bills, being as a matter of fact, the only medium of common trade, there would be continual danger of the computation of debts according to the depreciated value of the bills, whilst the real measure was deemed by law to be lawful money.

It was, therefore, enacted that debts contracted since March 31st, 1742, or that should be contracted after the date of the act, were to be deemed equal to the value at which the bills passed when the debts were contracted. Depreciation which took place between the time of contract and time of payment was to be allowed by the courts, so that the payment should be equal in value to the debt when contracted.

Perhaps this abstract of the act and its preamble may not seem clear, but the preamble can be interpreted in such a way as to render the law intelligible. It will be observed that the discount of the bills is not denied. The assertion is that it did not take place within the period covered by the certificate. If the statement had been made that the rate of silver March 31, 1742, was 7*s.* 2*d.* per ounce in these bills, then it would have been clear that under the clause in the law covering the question of depreciation debtors ought not to pay sixpence additional on each 6*s.* 8*d.* of their debts. In effect, the assembly says in this preamble, that there has been no discount, because the bills are available for just as much in the purchase of exchange as they ever were, and they



then go on to say, the debtor must remember that an ordinary debt is measured by the silver which the bills would have purchased when the debt was contracted, and it must be settled by the payment of enough bills to procure the same amount, no matter what the depreciation may be.

It will be remembered that the act of emission fixed the value of the bill by saying that 6*s.*, 8*d.* in the bills were equal to an ounce of silver, and this must have determined the courts in fixing the amount of depreciation, whereas, if what the assembly allege in this preamble is true, then the bills must have fallen to the lower rate at once. For proof that this conjecture is true we may refer to a message of Shirley's to the house on the 30th of May, 1743. He was discussing the values set upon the bills by a committee of the superior court of judicature at the February term in Suffolk county; £137, 10*s.* in bills was said to have been equal on the 28th of February to £100 sterling, and 7*s.*, 2*d.* was then equal to an ounce of silver.<sup>1</sup> He added that the bills were of no greater value than this at the time of the passage of the act, notwithstanding the fact that they were rated therein at 6*s.*, 8*d.* They were, therefore, rated in the act at 7½ per cent. above their current market value. It was the intention, he said, that the depreciation should be estimated from the current value of the bill and not from the rate stated in the act.<sup>2</sup>

Under the act which we are now considering the duty was thrown upon the courts of making the allowance for depreciation. The method of doing this was not

<sup>1</sup> Mass. Arch., vol. 102, no. 287.

<sup>2</sup> See quotation from *An enquiry into the state of the bills of credit*, etc., ante, p. 182, n.

necessarily changed. The act was in addition to and explanation of the former act.

From what has already been said it will be apparent that an agreement between the two houses as to how the depreciation should be determined had not been reached without a struggle. The journals of the two bodies furnish us with still further details of this contest, an examination of which may, perhaps, be worthy of our attention. On the 16th of February, 1743-44, the house resolved that whereas it was near six months since the value of public bills in silver or bills of exchange had been fixed under the provisions of the act for ascertaining the value of money, a committee ought to be appointed to consider the rate at which province bills then commonly passed, in proportion to bills of exchange or silver and lay before the court the evidence which governed their conclusion. Under the law as it then stood, the performance of this duty rested primarily with the assembly. This action of the house was, therefore, a mere announcement of a determination to perform a duty imposed upon the representatives which, however, was probably dictated by a desire to secure a better rating of the bills than had been accomplished by the methods of estimating the depreciation which had actually been employed. In this action the board concurred on the 17th.<sup>1</sup> On the 21st of February the house instructed the secretary to inform the justices of the superior court that such a committee had been appointed, and on the 25th of February a report was presented which proved to be acceptable to the council, but was rejected by the house. Still another report of a committee appointed to ascertain the value of money was

<sup>1</sup> Mass. Arch., vol. 102, no. 332.

presented March 3, 1743-44. In this latter report the value of the ounce of silver was fixed at 7s., 6d. in the new province bills. £142, 10s. of these bills were said to be equal to £100 sterling.<sup>1</sup> Again the council agreed with the report and adopted an order that this should be the rule by which judgments should be made up in the the courts, and again the house non-concurred, and this time they voted that however much the bills of the neighboring provinces had depreciated, bills of this province, in consequence of the fact that the time for their redemption was drawing near had not lessened in value and they resolved that the actual rate of silver in these bills was 7s., 2d. an ounce and £137, 10s. in bills equal to £100 sterling.<sup>2</sup> With this the council unanimously non-concurred and on the 8th a conference was appointed to be held on the 9th. This, however, apparently failed to accomplish anything in the way of bringing the two bodies to an agreement as the council on the 10th, after the conference voted to adhere to their position. The house thereupon voted to refer to a joint committee the question of the rate at which province bills then commonly passed in the province in proportion to gold and silver and bills of exchange on London. On the 13th such a committee was appointed and on the 14th a report was submitted in which it was stated that the rate set by the former committee was just and this the council unanimously approved.<sup>3</sup> The house, however, continued recalcitrant and after having rejected the report of the committee they passed an order asserting in the preamble that the bills of credit of this pro-

<sup>1</sup> Report dated March 2, Mass. Arch. vol. 102, no. 338.

<sup>2</sup> Mass. Arch., vol. 102, nos. 338 and 339.

<sup>3</sup> Mass. Arch., vol. 102, no. 341.

vince had in no degree depreciated since March 31, 1742. The house had determined a rule for the courts in which the board had non-concurred and there was no probability of agreement, they therefore voted that the eldest councillor of each county do forthwith meet as a committee and determine the rates of said bills of credit as the law directs, and that a certificate under their hands, or the hands of the major part of them, be lodged in the secretary's office accordingly. Whatever the intention of the house may have been in making this proposition, the council would not agree to it, but voted that the affair be left to the determination of the eldest councillors in each county, according to the directions of the law in that case made and provided, and that they be desired to meet forthwith in the said affair. To this the house in turn would not assent, but on the 16th the two bodies agreed upon a resolution in which after the language of the act which set forth the manner of proceeding was recited in the preamble, a vote followed that the said councillors do forthwith proceed to determine the affair as the law directs, and that a certificate under their hands or the hands of the major part of them be lodged in the secretary's office accordingly. It is hardly worth our while to waste any time in searching for all the points concealed beneath the language of the several orders above given and hereinafter recited. The temporary solution of the point seemed to consist in referring the determination of the matter as the law should direct to the councillors themselves, but it is obvious that the hint given by Hutchinson, which has already been referred to, was involved therein, and it is probable that a knowledge of the opinions of the individual councillors who were eligible to serve on this committee would help us to interpret the action of the two bodies.

A committee was appointed December 21, 1744, to inquire into the present value of the bills. They reported that in the bills issued since 1741, an ounce of silver was rated at 7s. 6d. and £100 sterling was equal to £142, 10s. in said bills. This was adopted by the council and accepted by the house.<sup>1</sup>

January 11, 1745-46 the house renewed this contest by sending up a vote that the eldest councillor in each of their counties where any of his Majesty's council inhabit be directed to ascertain the present value of the bills of credit of the province agreeably to the law in this case provided. Apparently nothing came of this for on the 25th of June a committee was appointed to ascertain the value of the bills. On the 28th of the same month the house in consequence of the failure of this committee to report, renewed its vote appointing the eldest councillors to perform that duty. On the 23rd of July they sent up to the council to ascertain if they had acted in the matter and learned that no action had as yet been taken. The next day the board voted that, whereas the six months since the last stating of the value of the bills of credit had expired on the 23rd, and some of the councillors appointed by law to state the value of the bills in case of failure of the General Court to do the same were then absent, it should be the duty of John Osborne, Esq., the eldest councillor then in Boston, to forthwith convene the other eldest councillors of the respective counties at Boston and appoint a day as soon as conveniently might be for their meeting in the said affair, that so a rule might be by them determined for the procedure of the courts in making up their judgments according to law.

<sup>1</sup> Mass. Bay House Journal, Dec. 27, 1744. The same rates adopted June 28, 1745, and January 9, 1745-46. See House Journal of these dates.



There was something in this vote that the house did not like and they sent up a messenger to the council with instructions to state to the board the provisions of the law bearing on the question and to add thereto a statement that the house desired that the eldest councillors then in town should notify the other councillors to convene as soon as might be to perform this duty. The record of this conflict between the two houses ends here, but it is probable that in some manner a rate was fixed for the rule of the courts in making up judgments.

On the 2d of February, 1746-47, a committee was appointed to ascertain the value of the bills and this committee, Feb. 13, fixed the rate the same as the last which had been determined, but a question was raised on the next day as to the validity of the action of the council because some of the committee were then absent. The matter came up again March 26, 1747, and a vote of the council then passed was sent down to the house. In the preamble to this vote the council asserted that at the time of the last establishment of the value of the bills, February 18, all the councillors entitled to act were not present. For this reason the action then taken was perhaps not legal. Moreover they went on to say, the agents of the province at the court of Great Britain were then soliciting the reimbursement of the great expenses to which the province had been put in the reduction of Cape Breton. The result of this application would soon be known and in case it was favorable, it might reasonably be expected that the bills of public credit would greatly advance in value. For these reasons, justices were ordered in making up judgments at any time before August 1st, not to allow for depreciation otherwise than they had been wont in con-

formity with the several settlements of the value of bills preceding that of February 18th. The house would not agree to this in the form in which it came to them but on the 31st, the council having in the meantime solicited them to reconsider their action, they voted: That whereas the determination of value on the 18th of February was of doubtful legality, they would remove the doubt by voting that it was void and of no effect, and as the success of the solicitation of the province agents for a reimbursement of the charges of the late expedition might very much affect the value of bills, and the event of such solicitation was daily expected, they would therefore order the justices in making up judgments before August 1st next, to allow for depreciation, in like manner and not otherwise than they had been wont to allow in conformity to the settlement of said bills last preceding the before mentioned of the 18th of February.

June 18, it was voted that the judges should proceed in making up judgments on the same basis until the 18th of February next, but on the 27th of June, 1747, Shirley refused his assent to this vote. No further action was taken until August 13th, when a committee was appointed to see what they thought necessary to do under the case after August 18th. On the 15th this committee was ordered to report forthwith and on the 18th their report was received and accepted.

On the 19th the house voted that they had taken the laws for the more equal payments of private debts into consideration. The rates of silver and bills of exchange were governed by the extravagant prices paid for bills of exchange to make remittances. The price of produce bore no proportion to them. If no special agreement had been made the judgment upon a debt should

be for the sum appearing to be due, but for as much as such as had debts contracted before the last day of March 1747, on which they might expect an allowance for depreciation because of the laws in their favor and the difference in value between bills then and now, it was therefore ordered that on debts contracted before March 31, 1742, on which not more than six per cent. interest had been received, for every £100, £10 should be allowed for depreciation. In a similar way for those contracted after that date and before March 31, 1745, £7, 10s. should be allowed on every £100. On debts contracted after this last date and before March 31, 1747, £5 should be allowed on every £100. This was finally adopted August 25, with an amendment, the details of which are not given.

On the 28th of August, Shirley again interposed and refused his assent to this determination of values. He assigned certain technical reasons, each of which would have been fatal to the legislation if insisted upon, but none of which would in any probability have been mentioned except for the fact that in his judgment the protection afforded to the creditor by existing laws was by this action arbitrarily set aside. He then alluded to the neglect of the committees appointed by law to ascertain the value of the bills, to make a just allowance for their depreciation from time to time during the past four years or thereabouts as it was their duty to have done.

On the 8th of September the subject was again committed and a report was received on the 19th of October which was adopted in the House on the 20th. The governor gave his consent to the scheme on the 27th.

On debts contracted prior to March 31, 1742, 15% was allowed for depreciation.

On debts contracted between that date and March 31, 1744, 12½% was allowed for depreciation.

On debts contracted between that date and March 31, 1746,  $7\frac{1}{2}\%$  was allowed for depreciation.

On debts contracted between that date and March 31, 1747, 5% was allowed for depreciation.

No allowance to be made for depreciation where more than 6 per cent. interest was charged.

A report was adopted March 3, 1747-48 bearing on this subject, but we have no details. These are to be found, however, in a report dated November, 9, 1748.<sup>1</sup> It did not meet with Shirley's approval, being so unjust in its operations in his opinion, that it would be better to leave the matter in the hands of the courts. It will, however, serve to show the opinion of the assembly as to the depreciation. The allowances were as follows:

On debts contracted before March 31, 1742, 20%.

On debts contracted after March 31, 1742, and before March 31, 1744,  $16\frac{1}{2}\%$ .

On debts contracted after March 31, 1744, and before March 31, 1746, 10%.

On debts contracted after March 31, 1746, and before March 31, 1747,  $6\frac{1}{2}\%$ .

No allowance to be made if more than 6 per cent. interest charged.

A committee was appointed February 24, 1747-48, to determine the value of the public bills, but we have no report of its action.<sup>2</sup>

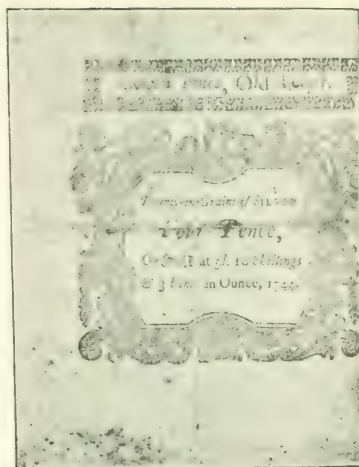
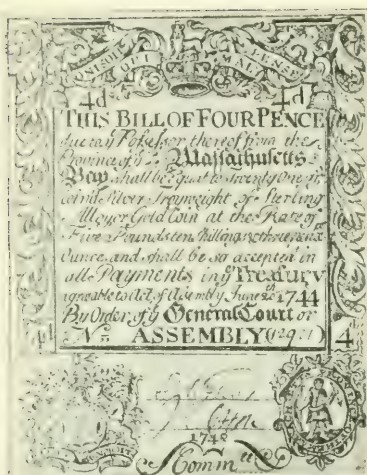
A review of the rates which had been fixed from time to time by the committees will enable us to judge of the consistency of the Assembly. These will be found in tabular form on the opposite page.

The pressure in behalf of the debtors found expression in January 1744-45, in the passage of an act in addition to the act for ascertaining the value of money and of the bills of public credit of the province. The

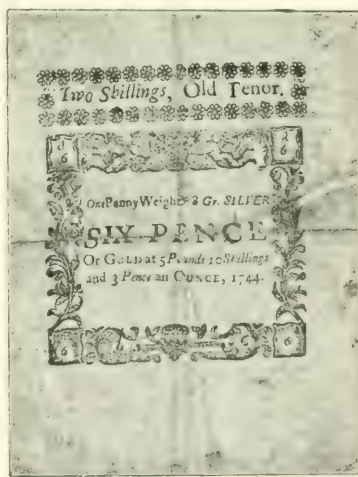
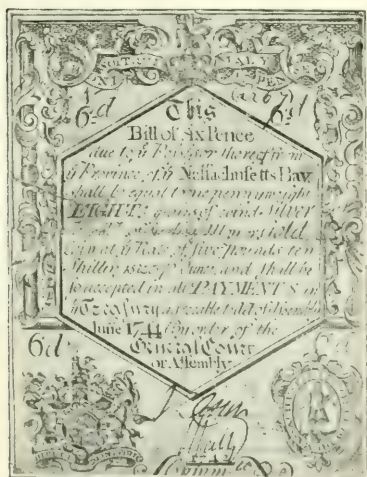
<sup>1</sup> Mass. Arch., vol. 102, no. 393.

<sup>2</sup> Mass. Arch., vol. 102, no. 370.

# PLATE 13.



Bill for 4d., emitted under the Act of June 20, 1744, the engraved designs for the bill being those prepared for the 1742 emission. The date 1742 appears over the word "Committee." The woodcut on the back was prepared for the 4d. bill, 1737. Photographed by permission of the Lenox Library. Size,  $3\frac{3}{4}$  in. x  $4\frac{3}{4}$  in.



Bill for 6d., emitted under the Act of June 20, 1744, the engraved designs for the bill being those prepared for the 1742 emission. The date 1742 appears over the word "Committee." The woodcut on the back was prepared for the 2d. bill, 1737. Photographed by permission of the Lenox Library. Size,  $3\frac{3}{4}$  in. x  $4\frac{3}{4}$  in.





fact that certain creditors exacted more than six per cent. from their debtors was attributed to an effort on the part of such creditors to provide in this indirect way for the depreciation of the bills. Other covert methods of accomplishing the same result were enumerated, and in cases where the fact could be established that the creditor had received from the debtor compensation of this character, it was ordered in the first section of the act that no further allowance was to be made to such creditor.

## TABLE OF RATES.

(See page 192.)

Date.	Province bills since 1741.	Sterling equiv.	Silver rate.	Reference.
1742-3-----	£ 137 10s.	100	7/2	Mass. Arch., vol. 102, no. 287.
Sept. 2, 1743---	140	100	7/4	Mass. Arch., vol. 102, no. 307 ; Suffolk Files, 57,651.
March 2, 1743-4	142 10s.	100	7/6	Mass. Arch., vol. 102, no. 338 ; Suffolk Files, 59,742.
Dec. 27, 1744---	142 10s.	100	7/6	Mass. Arch., vol. 102, no. 358 ; House journal, at date.
June 28, 1745---	142 10s.	100	7/6	House journal, at date.
July 25, 1745---	142 10s.	100	7/6	Mass. Arch., vol. 102, no. 359.
Jan. 9, 1745-6---	142 10s.	100	7/6	House journal, at date.
Jan. 24, 1745-6---	140 10s. ( <i>sic</i> )	100	7/6	Mass. Arch., vol. 102, no. 359.
Aug. 8, 1746---	142 10s.	100	7/6	Ditto, no. 360.

On the other hand, it was asserted that some legislation was necessary to protect creditors from loss caused by the depreciation of bills since March 31, 1742. To cure this defect in the law special provision was made in the second section of the act.

The third section was devoted to the benefit of the debtor class. It was asserted that there was a prevailing apprehension that bills of credit of the new tenor were to be esteemed as lawful money. Consequently, many

persons had given bonds to pay lawful money where nothing but public bills had been received, and in such cases, nothing but bills had been expected by creditors in payment of the debt. Notwithstanding these facts some of the courts of the province had made up judgments on such debts for lawful money only, and had construed the same not to be payable in public bills, whereby the debtor had been capable of discharging the execution only with silver. The extreme scarcity of silver practically put the debtor in the creditor's hands in such cases. This oppression the government ought to prevent. It was, therefore, enacted that for the space of five years from the date of the first emission of the new tenor bills in 1741-42 judgment should be given only for bills in cases where silver was not given or received.<sup>1</sup>

If when Shirley assumed the reins of government, creditors needed protection against the depreciation of the currency, they certainly needed it all the more when the rise in silver was stimulated beyond all control under the reckless issues made in behalf of the military ventures of the province after 1744. The sympathies of the assembly were, however, with the debtor class, and in 1747, all efforts on the part of the province to protect creditors against depreciation were withdrawn.

The clause in the act for ascertaining the value of money, in which it was in substance provided that ordinary debts were to be adjudged as equal in amount to the silver which could be purchased with the bills in which the debt was nominally estimated, expired by the terms of the act on the last day of March, 1747. In September, 1747, an act was passed in addition to and

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 3, p. 212.

explanatory of this act, and the other legislation to which it had given rise.<sup>1</sup> In the preamble it was asserted that provision in the former act had been made for determining the depreciation of the bills only through silver and bills of exchange which were made the standard. This rule, it had been found by experience, did not work well. The value of the bills could not properly be estimated by the value of any one or two particular "commodities or merchandizes", such as bills of exchange and silver then were, within this and the other colonies. It had been found that the prices of these two "commodities" were liable to be very suddenly and immoderately increased by a few persons for the sake of serving their own interests, whereby bills of credit had often been much depreciated with respect to bills of exchange or silver, though, at the same time, they had preserved their value with respect to all other "commodities and merchandizes" in the province. To prevent this inconvenience in the future, it was provided that in any valuation of the bills of public credit thereafter made for the above purposes<sup>2</sup> consideration must not only be had of silver and bills of exchange, but also of the prices of provisions and other necessities of life. Regard was also to be had to fluctuations caused by the plenty or scarcity of the articles considered. More specific regulations were made with reference to the committee of councillors who were to determine the depreciation, and inasmuch as dilatory creditors might postpone making demands upon their debtors and thus compel the maintenance of this committee for an in-

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 3, p. 373.

<sup>2</sup> That is to say, to ascertain the allowance to be made for depreciation on debts contracted during the period covered by the original act for ascertaining the value of money.

definite period, a limit was set to the time when the depreciation was to be allowed on judgments on debts incurred within the period covered by the original act. The rule respecting the allowance to be made for the depreciation of bills of public credit was restrained to debts contracted within the period mentioned in the act and was not to extend to any other whatsoever.

In other words, the act was not only not extended, but limitations were put upon its future operations and the method of estimating the depreciation was altered by the inclusion of provisions and other necessities of life with silver and exchange as standards.

The enormous changes in the values of the bills of credit produced by their rapid depreciation during the years 1746 and 1747, rendered the equitable adjustment of the relation of debtors and creditors more and more perplexing. An act which was passed for this purpose January 27, 1748-49, was disallowed by Shirley and in his speech to the assembly April 8, 1749, he recommended that the matter be left to the courts of judicature. Again at the close of the session, on the 22nd of April, 1749, the assembly made another attempt to legislate upon the subject. Shirley at that time informed them that the bill had come before him too late for him to sign it. On the 24th of June, 1749, the governor referred the assembly to his former speeches and messages on the subject. He said with regard to debts contracted since October 31, 1747, that the price of good private bills of exchange payable in London was at that time at the rate of £1,100 in bills of credit of the old tenor for £100 sterling. He was satisfied that there had been no depreciation of the currency since that date notwithstanding the recent exorbitant rise in



provisions.<sup>1</sup> He thought debtors could be protected by passing a bill to prevent the courts from making any allowance for the bills of credit on debts contracted since October 31, 1747, specialties and express contracts excepted. He did not approve of any action looking towards the future. This was what he had in view in his speech of the 26th of October, 1748, and he was ready to join in passing an act which would give more ample relief to the debtors within that period than what was provided in that bill. This allowance he said was 10 per cent. on debts contracted between the last day of October, 1747, and the last day of March in the same year. During this period he claimed that there had in reality been no depreciation at all. It would seem as if by "March in the same year" in the above connection Shirley must have meant March, 1748.<sup>2</sup>

The assembly went forward with the consideration of a bill on this subject and apparently did not pay proper attention to his advice, for on the 29th of June, 1749, he refused his consent to a bill for ascertaining the allowance to be made by courts of judicature in rendering judgments on suits for debts payable in bills of credit. The money for the reimbursement of the expenses of the Cape Breton expedition had by this time been paid over, and was on its way to the province.

Between 1730 and 1745, the price of silver was influenced more by the circulation in this province of the bills of the neighboring governments, than by the local issues of the province itself. The restraints imposed

<sup>1</sup> It will, perhaps, be remembered that the house had, in August, 1748, insisted on measuring the value of the bills in produce as well as exchange, because exchange had risen more than produce. Shirley now takes the reverse position.

<sup>2</sup> The 25th day of March next succeeding fell in 1747, old style, but the last day was in 1748.

upon Massachusetts Bay and New Hampshire, kept the amount of the emissions of these provinces within some sort of bounds, and had it not been for the contributions to the currency from the other governments, the price of silver during this period would have been more nearly proportioned to the amount in circulation of the bills issued by Massachusetts Bay. As it was, silver was disproportionately high during all this period. The fact has already been stated that in January, 1738-39, an attempt was made by legislation to prevent the circulation in this province of the bills of the neighboring governments.<sup>1</sup> " 'This law,' Shirley said, " was particularly calculated to prevent the currency of the Rhode Island bills here but it had not the least effect before my coming to the administration."<sup>2</sup> In January, 1742-43,<sup>3</sup> an attempt was made to secure legislation on the subject, and on the 22d of June, 1743, the assembly appointed a committee to confer with representatives from the neighboring governments with a view of preventing the depreciation of the bills.<sup>4</sup>

On the 9th of February, 1743-44, Shirley communicated to the assembly an estimate of the losses incurred by the community through the circulation of these outside bills and said that up to that time no answer had been received to the proposition for a conference which had been submitted on the 22d of June. He had stated to them on the 9th of September, 1743, that there were according to the estimate of competent persons £400,000 in bills of the other governments in circulation in

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 2, p. 965.

<sup>2</sup> Palfrey's History of New England, vol. 5, p. 106, note.

<sup>3</sup> Mass. Arch., vol. 102, no. 280.

<sup>4</sup> Mass. Arch., vol. 102, no. 313.

this province, and he proceeded at this time to say that of these, £350,000 were contributed by Rhode Island and £50,000 by Connecticut. He estimated the emissions of Rhode Island at that time at £440,000, while £70,000 he thought would have been abundant for that colony.

March 17, 1743-44, a second attempt was made to prevent by legislation the evil of a currency from outside and uncontrollable sources.<sup>1</sup> It was asserted in the preamble of the act then passed that bills of the neighboring governments were then and had been the principal medium of trade and commerce in the province; that some of those governments, more especially that of Rhode Island, had frequently made extravagant emissions of their bills, which by depreciating all bills current had worked great injustice to the inhabitants of the province. The circulation of Rhode Island bills issued since 1742, and of the bills of other governments hereafter to be issued, was prohibited in this province under severe penalties. The act was to continue in force for two years. In September, 1746, its operation was extended for three years longer.<sup>2</sup>

On the 10th of January, 1745-46, a memorial of sundry merchants of Boston was presented to the house, in which the danger from the currency of Rhode Island bills, notwithstanding the law then in force, was fully set forth. The petition of the merchants for relief was refused on the 15th of that month. In June, however, the house took the matter up again and on the 5th, the question being submitted whether a committee should be directed to prepare a bill for the revival of the act to

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 3, p. 122.

<sup>2</sup> Acts and Res. Prov. Mass. Bay, vol. 3, p. 307.

revent the great injury arising to the inhabitants of this province by the frequent and very large emissions of bills of public credit of the neighboring governments, it was voted in the affirmative so far as the Rhode Island bills were concerned, but in the negative as to the bills of Connecticut and New Hampshire. Some sort of a bill must have got through the house at that time, for August 14th, they sent up to the board to see if action had been had upon it. The reply was that there had not.

To a certain extent the law makers themselves of this province were responsible for the circulation within its borders of the bills which it was now sought to eliminate from the currency. These bills had repeatedly been recognized as a part of the circulating medium in the various acts which had been passed against counterfeiting, altering and mutilating public bills. The first of these acts, passed in August, 1704, was limited in its operation to the protection of bills of credit of this province.<sup>1</sup> The penalty for making or uttering was that the culprit should be branded in the right cheek with the letter F and should pay double damages or suffer imprisonment. For altering bills it was the same as that for the offence of forgery,<sup>2</sup> to which was added triple damages to the person upon whom altered bills had been passed. In June, 1711, the same penalty was imposed for counterfeiting or altering the bills of the neighboring governments,<sup>3</sup> and in the preamble of the act it was asserted that this action was

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 1, p. 556.

<sup>2</sup> Double costs and damages, and also to be set upon the pillory in some market town or other open place, and then have one of his ears cut off, also imprisonment for one year.

<sup>3</sup> Acts and Res. Prov. Mass. Bay, vol. 1, p. 673.

taken because these bills had obtained currency here, therefore the falsifying or counterfeiting them would prove of pernicious consequence, would hurt and obstruct her Majesty's service, would interrupt mutual and reciprocal trade and commerce and would cause loss and damage to private persons. In December, 1715, a reward was offered to informers who should secure the conviction of counterfeiters of bills of this province.<sup>1</sup> In November, 1720, the penalty for counterfeiting the bills of this and the neighboring provinces was changed to death.<sup>2</sup>

In January 1735-36, signs of the reaction against the bills of the foreign governments appear in a new law against counterfeiting public bills from which the bills of the neighboring governments are excluded. The penalty is death without benefit of the clergy.<sup>3</sup>

There is nothing in the preamble of this act to explain why the bills of the neighboring governments were not included, but there must have been some reason for this action and it would be natural to conclude that it was because the assembly was no longer desirous of protecting this outside currency. In the bill passed in February, 1736-37, to prevent the sub-division of public bills for purposes of making change, bills of the neighboring governments were included with bills of this province in the prohibition.<sup>4</sup> To a certain extent this militates against the conclusion drawn above, but it does not alter the fact that the explanation there suggested is not only plausible but under the circumstances, natural.

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 2, p. 25.

<sup>2</sup> *Ibid.*, vol. 2, p. 186.

<sup>3</sup> *Ibid.*, vol. 2, p. 785. The act to prevent the currency of the New Hampshire merchants' notes, *Ibid.*, vol. 2, p. 743, seems to have been justifiable through the inherent weakness of the notes themselves.

<sup>4</sup> Acts and Res. Prov. Mass. Bay, vol. 2, p. 827.



The action taken by the assembly in February, 1736-37, in the attempt to protect the bills of neighboring governments from mutilation was the last effort of that body which could be interpreted as in any way favoring the circulation of bills of the neighboring governments, although the subject was before the house June 4, 1743, and a committee was appointed to prepare a bill to prevent the counterfeiting of bills of this and the neighboring governments. Nothing came of this, however, and the next steps were those already referred to, in which the attempt was made absolutely to prohibit the circulation of all the recent issues of the neighboring governments.

## CHAPTER X.

### THE LORDS OF THE TREASURY FAVOR REIMBURSEMENT FOR THE LOUISBURG EXPEDITION AND PAR- LIAMENT PASSES THE GRANT.

The events which took place in London in connection with the passage of the act for the reimbursement of the colonies for their expenditures in the Cape Breton expedition form an important part of this narrative and require consideration at this point.

The period during which the Lords of the Treasury and parliament had this question under discussion includes the date of the destruction by fire of the Boston town house in 1747. Through the aid of duplicate papers and reports sent to England, we are enabled to supply many of the deficiencies caused by the loss of papers at that fire. In one respect, the treasurer's annual statements, which he was accustomed to forward to England, we are unable to do so. For some reason the forwarding of these reports was stopped in 1744, and this omission was not noticed for some years thereafter. When it was discovered in London that the information to be obtained from these reports was not on file there, and duplicates were called for, it was stated that the gap could not be filled owing to the destruction of the books of account in the fire.<sup>1</sup>

For some time prior to the year 1744, the assembly had availed themselves of the services of Christopher Kilby, who was then in London, as their representative in matters which they wished brought to the consideration

<sup>1</sup> Mass. Arch., vol. 54, no. 62.

of the authorities there. In February, 1743-44<sup>1</sup> he was duly appointed agent of the province,<sup>2</sup> and on the 27th of that month the house took under consideration the question of his instructions.

At that time an effort was being made to induce parliament to take steps towards a reformation of the currency in the colonies. It was greatly feared that the fact that restraints had been imposed upon the emissions of the province of the Massachusetts Bay, while some of the neighboring governments had been left entirely free to issue what they pleased, might not be recognized and it was asserted that representations and proposals had been sent home which had "treated this government and people in a manner injurious, endeavoring to subvert that freedom of assembly which by charter they enjoy." The house, therefore, voted to instruct the secretary to write to Kilby that he was expected to give careful attendance to any application whereby the charter liberties or quiet of the province might be affected, and he was to use his utmost endeavor to prevent any proceeding thereon, until particularly instructed by the General Court. The form in which this vote was phrased did not meet with the approval of the council, and after several attempts at amendments the matter was finally concluded on the 29th by instructions from the assembly, to the effect that he was especially to give careful attendance to any representations that might have been sent home by any private person or persons, whereby the charter privileges and interests of this people might be affected, and to use his utmost endeavors to prevent any proceedings thereon, until he should have received instructions. Again, on the first of March, 1743-44, it

<sup>1</sup> Mass. Arch., vol. 20. no. 355.

<sup>2</sup> Mass. Arch., vol. 20, no. 358.

was ordered that the agent be instructed, in case there should be any parliamentary inquiry into the state of the currencies to do all in his power to prevent any injury. This last vote may have been taken in response to a suggestion made by the governor who on that day stated to the assembly that he estimated the losses sustained by the people of the province from the circulation of the bills of the neighboring governments at £100,000, and he expressed the hope that some steps might be taken to distinguish between the bills of the province of the Massachusetts Bay, and those of the neighboring governments. On the 16th of October, 1744, the contents of the bill about the currencies which was then being discussed by parliament was communicated to the house.

There is in the archives a copy of an act entitled, "a bill to regulate and restrain paper bills of credit and for ascertaining the currency thereof in his Majesty's colonies or plantations of Rhode Island and Providence plantations, Connecticut, the Massachusetts Bay and New Hampshire in America, and to prevent the same being legal tender in payment for money", which is, perhaps, the same as the proposed bill communicated at that time to the house. There were to be no more paper bills and no postponements of redemptions. The penalty for Rhode Island and Connecticut was to be the forfeiture of their charters. Short term bills for current expenses might be allowed, and emergent expenses might be provided for by special emissions under royal approval. The measure of values was to be the piece of eight of seventeen pennyweight, which was to pass at six shillings.<sup>1</sup>

On the 24th of February, 1743-44, the council being

<sup>1</sup> Mass. Arch., vol. 102, nos. 170, 176.

of opinion that the currency question, either then was under discussion in parliament or soon would be, and that justice would not be done this province unless steps were taken to show the difference between the emissions of this government and those of its neighbors, voted<sup>1</sup> that his excellency be requested to make a full representation of the whole matter to his Majesty's ministers of state, and to use his kind offices therein. The house, being not only jealous of its prerogatives, but having always displayed a fondness for addresses and arguments, promptly non-concurred in this vote, thus showing that they had no desire to make use of the kind offices of the governor. Indeed, it may be assumed that his employment as their mouth-piece was one of the last functions in which they would willingly have availed themselves of his services.

July 27th, 1745, the house voted to prepare a petition to his Majesty for relief under the heavy burthen occasioned by the Cape Breton expedition. On the 30th the petition in this behalf was accepted, and on the 31st of July, William Bollan, who was then about to embark for Great Britain, and who was said to be thoroughly familiar with the matter, was authorized to act in concert with Kilby, the agent of the province, in preparing and pursuing the petition of the two houses for relief under the insupportable charges of the Cape Breton expedition.

The presentation of the petition, perhaps influenced by the appointment of Bollan, created hopes that the depreciation of the bills might be checked, and thus render their redemption through the reimbursement feasible. We have evidence of this feeling in a proposition submitted to the assembly in June, 1746, the method

<sup>1</sup> Mass. Arch., vol. 102, no. 334.



suggested in which was doubtless an outcome of the loan made at the time of the Hill and Walker expedition against Quebec. At that time the province loaned its bills to the Boston merchants in order to enable them to purchase supplies for the expedition, the merchants taking their pay from the troops and the fleet, in bills of exchange on London, which would not be paid for some time thereafter. In the present case, the merchants had the bills in hand, and believed that the exchange would be promptly met, and therefore, on the 6th of June, 1746, they made the following proposition: They said that to prevent the evils arising from the great floods of paper money which had been and were being issued in the province, they would offer to the General Court such sums of province bills as might be needed for the proposed expedition against Canada then under consideration, upon condition of being paid at a reasonable exchange by bills on Great Britain. In case the expenses of the expedition should not be paid by Great Britain, they would be content to take their pay in province bills without interest, when it should become known that the charges would not be reimbursed, provided this period did not exceed twelve months. By this last clause it was probably intended merely to limit the time that they should allow the use of the bills without charge for interest.<sup>1</sup>

If this proposition had been adopted it is evident that it would have had a tendency to check the depreciation of the bills, but it was received with such disfavor in the house that the representatives not only declined to consider it then, but actually voted that they would not entertain its consideration at any future time.

<sup>1</sup> It was generally understood that the Duke of Newcastle had given assurances that the province would be reimbursed for the expenses of the Canada expeditions.

Evidence of the favorable disposition of the Lords of the Treasury and of parliament towards the claim of the New England governments for reimbursement of the expenses incurred in the prosecution of the Louisburg expedition soon led the agents of the province to believe that but little difficulty would be experienced in securing payment for the same. On the 14th of November, 1746, however, Bollan met with a set-back which seriously disconcerted him and made him realize that the path which led to success in this affair was not free from obstructions and perils. While the matter was still fresh in his mind he wrote that the Lords Commissioners had on the fourteenth come to the conclusion that *some* satisfaction, and he underscored the word "some," should be made the province. The fact that a favorable conclusion was reached had been previously communicated to him and the introduction at this time of the word "some" he regarded as of sinister import. It might produce fatal consequences and his astonishment was so great that he could not tell what to say to it. He still had hopes, but they were very slender, that he could get this dangerous word wiped out.<sup>1</sup>

On the 15th of January, 1746-47, a favorable report was made on the petition of the province<sup>2</sup> for the reimbursement, and the matter was referred to a committee to adjust and liquidate the accounts on which it was based. Bollan submitted to this committee copies of acts showing emissions of public bills in aid of the Louisburg expedition amounting to £258,800, and also a transfer of £20,000 more, originally issued for another purpose. This was accompanied by vouchers showing

<sup>1</sup> Mass. Arch., vol. 20, no. 367.

<sup>2</sup> Mass. Arch., vol. 20, no. 369.

expenditures amounting to £261,700, os. 3*d.* Certificates were also submitted showing that silver was rated at that time at 7*s.* 6*d.* by committees appointed to ascertain the value of bills, and that £142, 10*s.* in bills were then equal to £100 sterling.<sup>1</sup>

As time went on, and the conviction ripened that the application for reimbursement was likely to prove successful, thoughtful men began to appreciate the fact that the reception in the province of so large an amount of coin would furnish an opportunity for the resumption of specie payments. There was a division of opinion among the hard money men as to how it was best to do this. Dr. Douglass, who had been a consistent opponent of the heresies of the land bank, and an earnest advocate of a specie basis for the circulating medium, was a firm believer in the necessity of approaching the matter cautiously, and was violent in his opposition to a radical and sudden attempt at the conversion of the paper money then circulating into coin at current rates. He believed that it could best be accomplished by making the redemptions by degrees, and that any other method would work destruction upon the trade of the province. On the other hand, Hutchinson thought that the true method was to grapple with the whole question at once, and redeem the bills on the basis of their then depreciation. The advocates of paper money, in their turn, were appalled at the shrinkage in the amount of the currency which any such proceeding involved, and were heartily opposed to any plan which had in view an abrupt attempt to make such enormous reductions of nominal values. The evidences that these questions were occupying the attention of the public are to be found in various directions. They showed themselves

<sup>1</sup> Mass. Arch., vol. 20, nos. 380-388.

from time to time in the various votes which were taken in connection with the action of the committees for ascertaining the value of money, some of which have been already given.

The pamphleteers also took a hand in the discussion. In 1748, a writer who was opposed to the plan for resuming specie payments, which was ultimately adopted, submitted for public consideration a proposition of his own.<sup>1</sup> He referred to an article which had been printed in the "Independent Advertiser," No. 13, March 28, advocating the use of the Louisburg reimbursement for resumption, and then proposed "to keep all the silver money bounty granted, for ever in the Bank of England, as the government's fund and bottom, and to have the interest thereof only drawn for yearly by the government, which interest will amount to about eighty thousand pounds (as our money now stands) yearly, and so every year sink and burn eighty thousand pounds of our paper bills."

The expectations of the assembly may be gathered from a report of a committee which had been appointed to consider some method for preventing the depreciation of the currency. They were of opinion on the 5th of June, 1747, that considering the expectation of the speedy reimbursement of the charges of the Cape Breton expedition, it would be most convenient to defer the determination of this question to some future time. The messages and speeches of the governor also contain hints of a belief that the days of paper money were drawing to an end.

On the 29th of October, 1747, Shirley called upon the assembly to furnish money to pay the troops raised

<sup>1</sup> A word in season to all true lovers of their liberty and their country ; both of which are now in the utmost danger of being forever lost. By Mylo Freeman, etc. Boston, 1748.

for the late intended expedition against Canada. This message was communicated to the representatives November 5th, and they answered that they would, were it in their power, advance with the utmost cheerfulness the money for the payment of the troops, but they had no other way to do this than by more emissions of public bills. They had already issued exorbitant sums, and beside these, the bills of the other governments circulated promiscuously in the province. Should such a sum be issued it would be followed by a great "impair", if not utter loss of the public credit. The truth of each of the propositions laid down by the house was obvious. Notwithstanding this, Shirley, on the 3d of February, 1747-48, said to the assembly, "I must earnestly recommend you to find some other way for the supply of the treasury than by making new emissions of public bills." It might, perhaps, have been expected of the governor, in view of the fact that the representatives had already announced that they knew of no other way to raise money than by the emission of public bills, that he should himself suggest some new method of supplying the treasury. Although no way of escape from the difficulties of the situation presented itself at that time, it is worthy of note that for the first time since the province began to rely upon this method of supplying its treasury, the governor and the house were of one opinion as to the effect of emitting more bills.

Meantime news from Great Britain had been received from the agents of the province, sometimes full of encouragement, often of a despondent nature, according to the turn that events had taken and the feelings of the writer. On the 3rd of October, 1747, Kilby wrote in a hopeful strain concerning the progress made with the



petition for reimbursement.<sup>1</sup> Bollan, on the 5th of November, said that he had the day before attended a meeting of a sub-committee having in charge the accounts of the province submitted in connection with the petition. A proposition had then been made to pay only such sum as was equal to the present value of the bills of credit. He was greatly surprised at this, because at the outset of the discussion with the Lords of the Treasury, it had been agreed that the questions to determine were, what sum in currency is due? and, what was sterling exchange at the time of the expenditures? He had said that he would not submit to such a proposition. It would be no payment at all. He thought his arguments had produced a good result and had convinced the committee.<sup>2</sup>

After having prematurely announced December 10, 1747, that parliament had provided for payment of the province by passing a grant, Bollan wrote January 1, 1747-48, that he had encouragement that the affair would be dispatched when their lordships met again.<sup>3</sup>

Instead of the grant having been made by parliament, as Bollan thought in December, the fact was that the Lords of the Treasury still retained their clutch upon the petition, and their delay in action caused much perturbation. February 29, 1747-48, Bollan wrote expressing his surprise and concern that the Lords insisted so much at this time on the fall of bills. He had attended a meeting on the 15th of the month, at which Pelham, First Lord Commissioner, had proposed that the province should be paid a sum equal only to the value of the bills at that time and had asked Bollan what he had to say. The latter was apparently pre-

<sup>1</sup> Mass. Arch., vol. 20, no. 395.

<sup>2</sup> Mass. Arch., vol. 20, no. 400.

<sup>3</sup> Mass. Arch. vol. 20, no. 407.

pared for the occasion, for he wrote that "several things were said not pleasant to hear." The result of the interview was that the question was to be referred to parliament.

In the same letter, Bollan complained that while he was striving to gain for the province the value of their expenses on account of the expedition, there were several others who were very busy in framing their schemes for disposing of the money. Some of them, he was told, had applied to the treasury to prevent payment being made to the province until their proposed regulations could be enforced. The only use made of these applications, so far as he knew, was to draw arguments thence for the payment of the lesser sum. These persons were weak and officious and ought to have known that the only result of their interposition would be to reduce the amount to be paid or to delay the payment. He wished express power to receive the money, to be forwarded to him at an early date.<sup>1</sup>

In a letter to Pelham dated the 25th of February, Bollan gave his reasons why the province should receive the full value of the bills at the time of the expedition. They were in substance that the debts then contracted still retained their original values; that if the lesser sum should be paid, the province would be a loser by one-half the sum expended; that the sinking of the bills, in itself a hardship, had been caused by the delay in the payment of the reimbursement; and to pay on the basis of the value of the bills at that time would be grafting a new hardship on an old one; that if it was reasonable to do this, then by waiting longer there would be still less to pay and if payment should be delayed until the province was ruined, there would be

<sup>1</sup> Mass. Arch. vol. 20, nos. 411-412.

nothing to pay; that according to calculations which had been made, the payment of the lesser sum would be entirely exhausted in providing for the expenses incurred by the province in holding Louisburg and would not provide a farthing towards its capture. Further, he believed the payment of the lesser sum to be incompatible with the tenor of the bills.<sup>1</sup>

In the province, Hutchinson took advantage of the evident growth of the desire for a return to specie payments and on the 16th of February, 1747-48, a memorial of his, offering proposals for regulating the medium of trade of this province was submitted to the house and was referred to a joint committee. The details of Hutchinson's proposition are not given in the records but a copy of a memorial said to have been presented by him February 3rd, 1747-48, is in the archives and through references in the correspondence of Bollan, it may be identified as the plan then submitted.<sup>2</sup>

Hutchinson thought the reimbursement of the expense for the Louisburg expedition probable and proposed that this money should be used for sinking the variable paper medium then in circulation and substituting a fixed and unalterable money. There was then extant, he thought, near £1,900,000 old tenor. The charge of the expedition he estimated at £170,000 sterling. He proposed that enough should be borrowed to redeem all the outstanding paper. £50,000 he considered adequate for this purpose and this could easily be repaid in twelve annual payments. This sum should be imported in bullion, or Spanish milled dollars and Portuguese gold. He would pay a debt of 44 shillings old tenor with one dollar in silver. The concurrence of

<sup>1</sup> Mass. Arch., vol. 20, no. 414.

<sup>2</sup> Mass. Arch., vol. 102, no. 366.

the neighboring governments should be sought and a bill prepared for submission to them.

Bearing in mind that the silver dollar was valued at six shillings, it will be seen that Hutchinson's proposition was to settle debts contracted in old tenor at the rate of seven and one-third for one in silver. The £220,000 to be derived from the estimated reimbursement and the loan, throwing aside fractional parts of pounds would have amounted to £293,333 New England money.<sup>1</sup> If converted into old tenor at the above rate it would have been equivalent to £2,151,108. This would have left on hand a little over £34,000 New England money if Hutchinson's estimate of £1,900,000 old tenor outstanding was correct. It is possible that he feared an under-estimate of the currency and wished to be sure on that point.

The committee appointed to take the memorial under their charge reported to the house on the 24th. They were unanimously of opinion that the proposals in the memorial might prove very salutary to the province, and they offered for consideration a bill entitled "An act for calling in and exchanging the bills of credit, of the several denominations which have at any time been issued by this government, and are still outstanding, and for ascertaining the rate of coined silver in this province for the future." They recommended that a copy of this bill should be sent to the governments of Connecticut, New Hampshire and Rhode Island, and that it should be proposed to each of these governments to appoint commissioners to meet in this province the 12th of April, or as soon thereafter as might be, to treat with such commissioners as should be appointed by this government in order to the bringing to a period the

<sup>1</sup> That is the money in which the par of exchange was 133  $\frac{1}{3}$ .

bills of all these several governments in the like manner as was proposed for the bills of this, and also to settle the rates and values of money in the several governments for the future. The report was accepted by both houses and the governor affixed his consent to the same.<sup>1</sup> On the 27th, a committee was appointed to meet and confer with such gentlemen as should be appointed by the other governments pursuant to the vote of acceptance by the court of the report of the committee of both houses on the memorial of Thomas Hutchinson. A letter to the neighboring governments was prepared, and on the 5th of March was accepted by both houses and was regularly approved by the governor.<sup>2</sup> This letter announced that in view of the probable reimbursement by parliament, the assembly of this province had projected a bill for improving the opportunity to put an end to the paper currency of the province, a copy of which would be enclosed. This bill had received two readings at that time. It was thought to be desirable, in view of the general currency of the bills of the several governments, that a conference should be held, so that if possible, one general method should be adopted by all. The vote of this province appointing commissioners was also to be enclosed, and the danger of not arriving at an agreement was pointed out.<sup>3</sup> This attempt to secure co-operation resulted in a complete failure. Hopes, however, of accomplishing this result were kept up even under the most discouraging circumstances, and on November 2, 1748, a vote was passed to send messengers to each of these govern-

<sup>1</sup> It was a house measure and came before the council February 26. See Acts and Resolves, Prov. Mass. Bay, vol. 3, p. 454. Mass. Arch., vol. 102, no. 371.

<sup>2</sup> Acts and Res. Prov. Mass. Bay, vol. 3, p. 454.

<sup>3</sup> Mass. Arch., vol. 102, no. 374.



ments to see if a conference could not be brought about.<sup>1</sup> The relations of the other governments to the question of reimbursement were widely different from those of this province. Rhode Island, for instance, had an enormous circulation of bills of public credit, while her expectations in the way of reimbursement were very small. What constituted an eligible opportunity for the people of this province was practically of no value whatever to the people of Rhode Island. For this cause there was but little reason to expect co-operation.

The opinion had now become strong that the time was near at hand when payment might be expected from Great Britain, and it was realized even before Bollan reminded the assembly of the necessity for this action, that some person or persons would have to receive the money in behalf of the province, for which purpose special authority would be required. It was, therefore, voted on the 5th of March, 1747-48, that Bollan be authorized to receive for the use of the province all such sums of money as were or should be granted by parliament to or for the province for payment of the expenses of the Cape Breton expedition.

The fact that Shirley's former suggestions as to the necessity for raising money in some other way than by bills of credit had failed, did not deter him from renewing his assaults. On the 26th of May, 1748, he said to the assembly, "You must be convinced that if you had not made any new bills of credit for the last two years a moderate interest for the money borrowed would have been more than repaid by the loss and damage it would have saved to the public." . . . "Upon these considerations I hope you will take some other expedient than making bills of credit for the supply of the treas-

<sup>1</sup> Mass. Arch., vol. 102, no. 392.

ury." It will be noted that Shirley intimated in the foregoing that the province could have borrowed money. This is the only suggestion put forward by him for any method of meeting the extraordinary expenses of the province and this it will be observed is indirect. The answer of the assembly was an emission of £100,000 bills of the last tenor in June of that year.

On the 2d of April, 1748, Bollan wrote that the House of Commons had the day before resolved that the reimbursement was reasonable. The time of the payment had not been determined but after securing an agreement to pay the larger sum he had insisted upon prompt payment, so that the bills of credit might be retired. The matter had been referred to the treasury. Its progress had been attended with numberless difficulties and it would be for the honor of the province that the money should be carried over and exchanged for bills of credit. This was made necessary by what was said in parliament.<sup>1</sup> .

<sup>1</sup> Mass. Arch., vol. 20, no. 421.

## CHAPTER XI.

### THE DELIVERY OF THE MONEY IS DELAYED AND OBSTRUCTED.

Two stages in the progress of the petition had now been accomplished: The favorable consideration by the Lords of the Treasury and the grant by parliament of the specific sum of money which had been recommended.

It might, perhaps, have been inferred that the payment, without further discussion, was to be the next step in the transaction. Such, however, did not prove to be the case. There was temporizing on the part of the Lords of the Treasury, obstruction on the part of merchants, and discussions as to the amount and the manner of payment. Bollan's firm defence of the rights of the province and his active opposition to the obstructionists, alone saved the grant in its integrity for the use of the province. On the 15th of June, 1748, he filed a petition with the Lords of the Treasury in which he set forth that the province was reduced to poverty, weakness and distress, by the prosecution of the expedition for the reduction of Louisburg.<sup>1</sup> He recapitulated the existing state of affairs in detail and asserted that the province was absolutely compelled to alter its currency, yet was unable to do so until these expenses should be reimbursed. The longer the delay the greater the opportunity for capitalists to absorb the bills. He prayed for payment as soon as conveniently might be.

The impression made by Bollan left Kilby so far behind in popular esteem that the latter felt impelled to set matters right as far as he could. He, therefore,

<sup>1</sup> Mass. Arch., vol. 20, no. 428.

wrote, June 30, 1748, that from the outset it had been evident that parliament would grant the petition. The evident purpose of the letter was to convey the impression that, after all, the agents of the province had not influenced matters to any appreciable extent.<sup>1</sup>

On the 7th of September, 1748, Bollan wrote that the method of payment was still unsettled. He was surprised at this, as he had supposed that all those details were agreed upon before the money was granted by parliament. The ministry had proposed that the payment be made by instalments, the last in 1754. He had urged immediate payment, but, although no vote was taken upon the question, it was the general sense of parliament that the determination of this point should be left to the treasury. He claimed that the grant having been duly made, the exchequer had no other control over the money than to pay it over when the condition of the treasury would permit, and he insisted upon the right of the province to have this done without conditions as to the application of the money.

Divers persons, he said, had thronged about the treasury with plans and proposals as to the payment of the money. At the time when he claimed that the province was entitled to the reimbursement of all the expenses of the expedition he stood single, without the aid of any man living. He was indignant at those people, who under pretence of serving the province, obstructed the payment of the money. He had insisted upon the rights of the province in its corporate capacity to the money, but Kilby had interposed and declared that their Lordships ought to stand between the province and the merchants or possessors of bills. The Lords Commissioners had told him, August 10th, that

<sup>1</sup> Mass. Arch., vol. 20, no. 430.

he must be accountable to the exchequer for the money when received. He claimed that he could only be accountable to the province itself after payment was made, but if necessary in order to get the money, he would submit. He was glad to receive orders to oppose the fixing of a rate at which the bills should be exchanged. To avoid confusion he had not laid before the board the plan of Mr. Hutchinson.<sup>1</sup>

The Lords of the Treasury, at a meeting held at the treasury chambers, Whitehall, September 14, 1748, advanced an entirely new proposition in regard to the payment of the grant. They said that in the first place they should require adequate security from the person appointed to receive the money. When that was provided to their satisfaction, they would pay over one third of the money. The method of payment would then be reported to the governor, and if satisfactory, he could signify his approval of the same. Upon receipt of this approval the remainder would be paid.<sup>2</sup>

This suggestion met with Bollan's violent opposition. He was opposed to giving security upon principle, but apart from that, if this was done, it would involve the payment at the remembrancer's office of 6s. 8d. on every £100. "The charges of getting into this court," he said, "are certain, but no man can tell what it will cost to get out."<sup>3</sup>

In reply to this proposition, Bollan filed a memorial with the Lords Commissioners of the Treasury. He could not agree, he said, to give security, and to receive the money in the manner proposed. Firstly, because the province as a body politic had an absolute right to

<sup>1</sup> Mass. Arch., vol. 20, p. 435.

<sup>2</sup> Mass. Arch., vol. 20, no. 442.

<sup>3</sup> Mass. Arch., vol. 20, no. 443.



the money which had been granted by parliament, and from the date of the passage of the grant stood in the position of a creditor of the kingdom. Secondly, the money being due, the person duly authorized to receive it had a right to claim delivery, and it did not lie in the power of the exchequer to interpose objections. Thirdly, the court of exchequer was a court of record and as such could settle a debt but could not create any new obligations. The substitute for the province could only be chargeable to the province. Fourthly, as no obligation on the part of the substitute could be created, no security should be required. Fifthly, the statute provided that the money should be paid over without limitations or conditions. Lastly, the payment of one-third would be of no service whatever for the purposes to which it was intended to apply the money. He then pointed out, how, through a deposit in the Bank of England, he had always intended to throw around the money the necessary protection for its security.<sup>1</sup>

It was at this time, while the Lords of the Treasury were seeking to avoid the payment, at one time, of the entire grant, and were calling upon Bollan to furnish satisfactory security before they would agree to deliver the money, a task which he might have found very difficult of performance, that a number of merchants and others trading to and interested in New England, added the weight of their influence to the opposition with which Bollan was contending. On the 21st of September, 1748, they presented a memorial to the Lords Commissioners of the Treasury, setting forth the general facts as to the decline of the currency and especially pointing out that since the account of the province was stated, exchange had risen from 540 to

<sup>1</sup> Mass. Arch., vol. 20, no. 447.

more than 1000 per cent. Large quantities of bills had been collected by individuals in the expectation that possessors would realize this difference. They proposed that the remittance of the money should be held back until parliament should fix a rule for its application and that then it should be made in coin suited to the country. They asserted that many persons in the administration of the government of the province had become possessors of bills and expected to receive nearly double what they had paid.<sup>1</sup>

The insinuation that the members of the province government were speculating in the bills of credit was officially denied in a letter of instructions sent November 22, 1748, to Bollan.<sup>2</sup> This is not, perhaps, of much importance, for however influential the signers of this memorial, the blow which they then struck produced far less results than might have been expected. It is to the credit of the Lords of the Treasury that notwithstanding the support which they received in their temporizing policy from a body of men closely allied to the province and deeply interested in its welfare, they allowed themselves to be convinced by the arguments in opposition thereto, submitted by Bollan, and did not take advantage of this memorial further to postpone payment. On the same day that it was presented they acknowledged that the money was due and ready for payment. They were not, however, satisfied with Bollan's power which was said to have been given before the vote of parliament. For this reason, they thought he ought to give security, but would refer the point to their counsel.<sup>3</sup> In due course of time the matter was referred to the Attorney General and Solicitor

<sup>1</sup> Mass. Arch., vol. 20, no. 445.

<sup>2</sup> Mass. Arch., vol. 20, no. 465.

<sup>3</sup> Mass. Arch., vol. 20, no. 450.

General and on the 23rd of November, 1748, they reported that Bollan's power, not being under the seal of the province, was not satisfactory. They thought that this defect could not be cured by security being given.<sup>1</sup> In order to provide against future contentions of this sort, Bollan wrote November 29, that he proposed to have a form of a power of attorney approved by the Attorney General, which he would then forward to the province for execution.<sup>2</sup>

The resolve of the House of Commons allowing the province £183,649, 2s. 7½*d.* sterling, as a reimbursement for the expenses of the Cape Breton expedition was communicated to the house of representatives on the 13th of June, 1748. This was followed later by information that the method of payment had been referred to his Majesty's ministers.

On the 27th of October, Shirley in his speech to the assembly, distinctly asserted that a bill for sinking the currency by means of the late reimbursement had been passed and had been transmitted to England. This bill, he said, "which passed both houses of the last assembly", he had reason to believe had induced his Majesty's ministers, to whom consideration of the manner of paying the money voted for the benefit of the colonies had been referred, to determine that it should be paid in such a manner as would put an end to the paper currency in New England.

In referring to the bill passed by both houses of the last assembly, Shirley could only have meant the act for calling in and exchanging the bills of credit, which was

<sup>1</sup> Mass. Arch., vol. 20, no. 478.

<sup>2</sup> Mass. Arch., vol. 20, no. 481. The vote authorizing the execution of this instrument did not pass the assembly until April 22, 1749. Mass. Arch., vol. 102, no. 429. For copies of the power, see Mass. Arch., vol. 20, nos. 500, 508.

reported by the committee appointed to consider Hutchinson's scheme. While the report of the committee had been accepted, and an attempt had been made to establish an agreement upon the subject with the other governments of New England, there is no record of any other action in the assembly than the reading of this bill. Under ordinary circumstances one would hardly look beyond the official utterances of the governor to the law-making body itself, for proof that legislation had taken place. Yet it must be inferred from the absence of any record of further action in the assembly, and from language subsequently used by Bollan, that this statement was made solely for the effect that it might produce.

On the 18th of November, the assembly petitioned the Lords Commissioners for prompt payment of the money, stating that they hoped by means of it to remove the paper currency then in circulation and substitute silver therefor.<sup>1</sup>

Shirley's positive statement concerning the passage of the bill for sinking the currency made to the assembly as above stated, attracted the attention of the Board of Trade, and on the 23rd of January, 1748-49, they summoned Bollan to appear before them on the 24th, at eleven o'clock in the morning. Bollan accordingly presented himself next day, and was interrogated as to his reasons for concealing the action of the assembly on so important a point as the passage of this bill. The board thought proper to require of him some information with respect to said bill and to acquaint him with the mischiefs and difficulties which might arise from the government not being informed of the sense of the province upon an affair the determination of which was then

<sup>1</sup> Mass. Arch., vol. 20, no. 471.

under consideration. Bollan was in a quandary as to what he could say. He had received a copy of the proposed bill with authority to use it if he saw fit, but he knew that it was not a law, and he believed that it would be impracticable to borrow the £50,000. He, therefore, rehearsed what had taken place and stated frankly, that as the bill was not complete, and as he doubted the power of the province to borrow the money, he had used the discretionary power lodged in him and had not submitted the bill to the consideration of the board. As to what Mr. Shirley had said in his speech, the governor was mistaken, and Bollan believed he never did receive such information as he mentioned, but might have been induced to go so far as he did in order to strengthen and give credit to the proposals and thereby engage persons (disinclined) to come into them. Bollan then offered to submit the details of the matter to any member of the board or to any other of his Majesty's ministers who had the direction of these matters, but on the ground of policy declined to furnish them to the public, in view of the property interests concerned.

In the same speech in which Shirley, in order to strengthen and give credit to the proposals, was induced to make the statement which Bollan euphemistically termed a mistake, he also referred to other schemes proposed in England, many of which he said had a manifest tendency to lessen the benefits to the province of the proposed reimbursement. The accounts of these projects were to be found in the letters of one of the agents. The projects themselves had been opposed by the other agent.

In January, 1747-48, Kilby had written: "'Tis notorious that the exchange between New England and



London has arisen so much since the value of the province bills in sterling money was certified (in order to ascertain the province account of expense), that two-thirds, or nearer one-half sterling money that would have been necessary would now purchase all the bills at current exchange. . . . If this government should pay off the whole demands of the province according to the exchange as fixed by the account upon no other condition than that the bills shall be paid off immediately at that rate, it would be giving the last possessors a most unreasonable advantage in obtaining payment for bills under £600 per cent. which were undoubtedly taken into hand at or about £1,000 per cent., and with this inconvenience to debtors that they will have to pay two-fifths more than the preceding year. . . . All the advantage gained by their means will centre in those who have had address enough to obtain possession of the bills in virtue of some secret scheme calculated for such purposes, and many people here believe in such a scheme.<sup>1</sup>”

The inference seems to be a fair one that Kilby so far back as that date favored the views expressed by the merchants of London in their petition in September, and it hardly needed Bollan's direct assertion to that effect made in his letter of September 7th, already quoted, to convince us that this was so. It is evident that whatever justice there might be in his views, a postponement of the payment and a re-submission of the matter to parliament, would have been full of danger. Action had already been taken in a liberal spirit, and it was plainly the duty of the agents of the province to press for payment. Hutchinson says: “Some of the ministry thought it sufficient to grant

<sup>1</sup> Mass. Arch., vol. 20, no. 408.

such sum as would redeem the bills issued for the expedition, etc., at their depreciated value, and Mr. Kilby, the other agent, seemed to despair of obtaining more, but Mr. Bollan, who had an intimate knowledge of our public affairs, set the injustice of this proposal in a clear light and made it evident that the depreciation of the bills was as effectually a charge borne by the people as if the same proportion of bills had been drawn in by taxes, and refused all proposals of accommodation, insisting upon the full value of the bills when issued. He certainly had great merit for this and for other services."<sup>1</sup>

This was no time for the province to be represented by a faint hearted agent. Such an one was more of a hindrance than a help. Still less was it desirable that the affairs should be pressed by two agents who entertained different views. Harmony and co-operation were essential for success. The assembly recognized this, and as the complications of the situation were made plain through the correspondence of the agents, they dismissed Kilby on the 17th of November, 1748,<sup>2</sup> and placed the management of the affair solely in the hands of Bollan. On the 22nd a second vote was passed by the house authorizing Bollan to act in receiving the money.<sup>3</sup> He was empowered to give a full and ample discharge to the Lords Commissioners for the sum granted by parliament upon the deposit of the money in the Bank of England to the credit of the province.

<sup>1</sup> History of Massachusetts, (Ed. 1795), vol. 2, p. 391. One point that was urged was that some of the bills issued for the expenses of this expedition were still outstanding. Such bills had, of course, shared the depreciation. Bollan argued that they should be redeemed at the rate when issued.

<sup>2</sup> Bollan's letter of September 7th was referred to a committee on the 16th with instructions to report forthwith.

<sup>3</sup> Mass. Arch., vol. 20, no. 476.

Simultaneously a petition of the governor, council and house of representatives was sent to the Lords Commissioners of the Treasury in which it was asserted that by vote of March 5, Bollan had been authorized to receive the money, but in consequence of this action having been taken before the grant was made by parliament doubts had arisen as to the legality of his authority. In order to remove these doubts it was proposed that the money should be deposited in the Bank of England, subject to the order of the province, and that being done Bollan was to give a discharge for the money so lodged. To induce their lordships to act promptly it was stated that the money so obtained was to be applied to the sinking and redemption of the bills of public credit.<sup>1</sup>

On the 23rd of November, 1748, it was voted to postpone the consideration of what was further necessary to be done for redeeming and exchanging the bills of credit, and bringing to a period the paper currency of the province and for applying to those purposes in the best manner the grant made by parliament, until the next sitting of the court, at the opening of which all the members of the court were required to give their attendance.<sup>2</sup>

On the 22nd of December, Shirley informed the assembly that the session which was then opened was for the purpose of considering the currency. The proposals, he said, which were made to the neighboring governments, to join with the province in consulting upon this important affair, and the appointment of a meeting of commissioners for that end, had made this short delay necessary, but there being now no prospect of any assist-

<sup>1</sup> Mass. Arch., vol. 102, no. 394.

<sup>2</sup> Mass. Arch., vol. 102, no. 397.

ance from them, no time should be lost. If an act for retiring the currency should be passed, all obstacles to receiving the money would be removed.

For the next few days, the time of the assembly was largely taken up with the consideration of the act for drawing in the bills of credit of the several denominations, etc., etc. On the 6th of January, 1748-49, the representatives rejected the bill then under consideration and in the afternoon of the same day voted that "the house will at this sitting come into some method to apply the sum granted by parliament towards the redemption of the paper currency and to substitute a silver medium in lieu thereof." In pursuance of this purpose a joint committee was ordered on the subject. On the 10th an act for drawing in the bills of credit was reported and on the 17th it was ordered to be engrossed. On the 20th the house passed an order that this act should be forthwith printed and a copy delivered to each member of this court. A copy was also to be sent to the selectmen of each town of the province, who were to be required to lay the same before their respective towns at the anniversary meeting in March for their opinions thereon, if they should see cause. They were to give notice thereof in their warrants for such meetings, and to make return to this court at their sitting next thereafter. While the council could neither force the house to immediate action nor prevent them from temporizing if they saw fit to adopt that line of action, they could refuse to approve of this absurd proposition to submit the scheme for the application of the funds to be derived from the reimbursement, to the discussion of all the town meetings in the province, and could not be compelled to admit to the subsequent consideration of the court the various opinions that might

be reached upon the subject. The board, therefore, declined to concur in the order to print the act for this purpose. The house then considered the question whether they could proceed in this matter alone. They voted first that they could not with propriety come into a resolution to print the bill without the concurrence of the board. Having determined that it would be improper for them to print the bill independently from the board, they then voted not to do it at all ; after which the question was submitted whether the bill should be printed and a copy delivered to each member of the court and one to every town in the province. In view of the vote previously passed the conclusion of the house to print the bill would have required the approval of the council. Inasmuch, however, as the final determination was not to do it, this point is not of consequence.

On the 25th of January, 1748-49, the question was put whether the house would reconsider the vote of the day before respecting the enactment of the engrossed bill and then proceed to consider the bill. This was resolved in the affirmative and the bill was then passed.

This review of the proceedings in the house at this critical time, when so much depended upon their action, shows, that up to the last moment, the paper money men were in the ascendancy. They were in favor of a gradual reduction of the bills, and if in the schemes of the temporizers, due consideration had been made for the protection of the debtor class, the perilous position would have been accepted of dallying with the situation.

Hutchinson, who introduced the bill which was passed at this time, thus describes the events connected with its passage and the fortunate turn which affairs took, bringing success within his reach : " Some of the



directors and principal promoters of the land bank scheme,<sup>1</sup> being at this time members of the General Court, unexpectedly joined with the party who were for finishing paper money, but the opposition was so great that after many weeks spent in debating and settling the several parts of the bill, and a whole day's debate at last in a committee of the whole house upon the expediency of passing the bill, as thus settled, it was rejected, and the report of the committee accepted. . . . However, the next morning two of the members of the house,<sup>2</sup> zealous adherents of this party (the country party, which was in favor of paper), and who had been strong opposers of the bill, came early to the house to wait the coming of the speaker [Hutchinson], and in the lobby let him know that, although they were not satisfied with several parts of the bill, yet they were alarmed with the danger to the province from the schemes of those persons who were for a gradual reduction of the bills, and by that means for raising the value of the currency without any provision for the relief of debtors, and, therefore, they had changed their minds, and if the bill could be brought forward again they would give their voice for it, and others who opposed it would do the same. . . . As soon as the house met, upon a motion by one of these members, seconded by the other, the bill was again brought under consideration, and passed the house as it afterwards did the council, and had the governor's consent." <sup>3</sup>

<sup>1</sup> John Choate and Robert Hall.

<sup>2</sup> Joseph Livermore, the representative of Weston, and Samuel Witt, representative of Marlborough.

<sup>3</sup> History of Massachusetts (Ed. 1795), vol. 2, pp. 393-394. One of the pamphleteers of the day discussing the effects of this resumption says: "But taking it for granted that we were one hundred thousand pounds sterling in debt, yet it would be no great misfort-

## CHAPTER XII.

### THE MONEY PAID AND SPECIE PAYMENTS RESUMED.

While the "act for drawing in the bills of credit of the several denominations which have at any time been issued by this government and are still outstanding, and for ascertaining the rate of coined silver in this province for the future" was under consideration, a number of influential Boston merchants<sup>1</sup> submitted a petition to the assembly in which they set forth that the subject was one in which every individual was most nearly interested. Although not insensible to the wisdom and integrity of the General Assembly, yet they prayed that any bill relating to this important affair might be submitted to the public, before it should be enacted. Such was the custom of the parliament of Great Britain they apprehended in cases of like moment. The presentation of this petition aroused the friends of the bill who filed a counter petition, on the 23rd of January, 1748-49.<sup>2</sup> They had heard with satisfaction of the progress of the bill, and with concern that suggestions had been made by a body of merchants of Boston, that it might prove pernicious. Notwithstanding the fact that the rate of

une; for we have at this time two millions old tenor in silver in the province; and supposing we should discharge that one hundred thousand pound with a part of it, yet we should have eight hundred thousand pound old tenor remaining for a medium amongst us, at the lowest computation, which sum is allowed by those who are well acquainted with the course of our trade to be fully sufficient to answer all the purposes of a medium." Some observations relating to the present circumstances of the province of the Massachusetts Bay; humbly offered to the consideration of the general assembly. Boston, 1750, p. 9.

<sup>1</sup> Mass. Arch., vol. 102, no. 407.

<sup>2</sup> Mass. Arch., vol. 102, no. 408.

redemption which was proposed would prove less advantageous to the merchants of Boston than to any other part of the community, yet as they apprehended, the said rate would be greatly for the ease of the major part of the people. They agreed to use their endeavors that the good design of the bill might be answered. The act was actually passed three days after this, and before it was known what course was to be taken as to the payment of the money to the province, one motive for its passage being indeed, to facilitate the same by committing the province to a course of action which would meet with the approval of the Lords Commissioners of the Treasury. It was, therefore, conditional in character and future in its action. Sir Peter Warren, William Bolla, and Eliakim Palmer of London, were appointed to receive the money and to give a full discharge for the same. They were also authorized to petition his Majesty to transmit the sum in foreign coined silver, in a government ship, to the province. On arrival the treasurer was empowered to receive the same. For one year after March 31, 1750, the treasurer was to redeem outstanding bills in silver at the following rates: for every forty-five shillings in old tenor bills, one piece of eight; for every eleven shillings and three pence in middle tenor and new tenor bills, one piece of eight, and so proportionably for larger or smaller sums. All rights of redemption were to cease after March 31, 1751. All contracts after March 31, 1750 were to be understood to be payable in coined silver, and executions on judgments upon existing debts contracted in public bills could be satisfied in coin upon the same terms as those prescribed for the redemptions.<sup>1</sup>

<sup>1</sup> The omission of the first new tenor bills from this act is probably due to the fact that under the provisions of the act of emission which have already been explained, they had been previously redeemed.

The sum granted by parliament £183,649, 2s. 7½*d.* sterling was equal to about £244,866 "lawful money" of Massachusetts. The current rate of silver was about 60s. and it had been proposed to effect the redemptions at the rate of 55s. per ounce. It was found desirable, however, to adopt a compromise rate of 50s. or seven and one-half in bills for one in silver.<sup>1</sup> At this rate the £244,866 to be derived from the reimbursement would provide for £1,836,495 of the public bills reduced to old tenor rates, no thought being had of the possible cost of laying the money down in Boston. It was estimated that after this amount had been applied for redemptions there would still remain in circulation about £300,000 more rated in old tenor. A tax was, therefore, laid in this act, in terms of new and middle tenor bills for £75,000.<sup>2</sup> In case the General Court should fail to apportion this tax the treasurer was directed to issue his warrants to the selectmen or assessors, basing the same upon the next preceding assessment. These proceedings, if they should take effect, would render unnecessary the provisions which had been made in the several acts of emission for the future redemption of the bills and these provisions were, therefore, made void.

The act then went on to declare that after March 31, 1750, all contracts and debts were to be paid in silver at six shillings and eight pence an ounce, and after that date all persons were forbidden under severe penalties to account, receive take or pay any bill or bills of credit of either of the neighboring governments, a proviso being added that if these governments should take steps to sink their bills, then the clauses of the act forbidding their circulation should become void. If the sum granted

<sup>1</sup> Hutchinson's History of Massachusetts (Ed. 1795), vol. 2, p. 393.

<sup>2</sup> By "new" in this connection the last form was meant—old tenor bills were to be received on the basis of four for one.

by parliament should not reach the province before March 31, 1750, then the legislation formerly passed for drawing in the bills was to be revived and the special provisions of this act for their redemption were to become void.

For four years after March 31, 1750, no person elected to office could enter upon the performance of his official duties until he had made oath that he had not since March 31, 1750, wittingly and willingly, directly or indirectly, either by himself or by any for or under him, been concerned in receiving or paying within this government, any of the bills of the neighboring governments.<sup>1</sup> On the passage of this bill a letter to the neighboring governments was prepared, and the same was adopted on the 28th of January, 1748-49.<sup>2</sup>

A copy of the bill accompanied the letter when it was forwarded, and the respective governments were notified that since the effort to secure co-operation had failed, this province had determined not to let slip so favorable an opportunity for drawing in its own bills. In doing this it was impossible to avoid prohibiting the

<sup>1</sup> This Act will be found in Acts and Res., Prov. Mass. Bay, vol. 3, p. 430, *et seq.* The oath above mentioned is to be found in section 11 of the act. The Lords of Trade, to whom the act was submitted by the Privy Council, were appalled by its arbitrary character. Bearing in mind Shirley's reports of the absolute inefficiency of all previous legislation against the circulation within the province of these bills, they concluded that they would not disapprove of the act, on account of their objections to this section. At a later date, when the time came for the enforcement of this law, it practically prevented the organization of a board of selectmen in any of the border towns, especially along the Rhode Island line, where many of the towns depended for a living upon trade with their neighbors over the border. See petition of the town of Freetown, Bristol County, April 18, 1751, in which they say they cannot legally hold a town meeting and cannot supply jurors for the courts. Mass. Arch., vol. 116, no. 21; also petition of the town of Wareham, June 4, 1751, representing that the selectmen refuse to take the oath. *Ibid.*, vol. 116, no. 103.

<sup>2</sup> Mass. Arch., vol. 102, no. 410.



circulation in this province of the bills of credit of other governments, past experience having shown that it was impracticable to keep a silver currency while paper money was in circulation. Hopes were expressed that the other governments might still see their way to taking steps toward the adoption of a silver currency, in which case this province stood ready to do everything reasonable to cultivate a good agreement with its neighbors in pursuing a general design of so great importance. In speaking of the prohibition of the circulation of the bills of the neighboring governments, reluctance was expressed at the necessity for this step, especially with reference to those of Connecticut. An address to his Majesty was adopted at the same time expressing thanks for the reimbursement and petitioning for the free transportation of the money in a government ship.<sup>1</sup> A new attempt was made January 20, 1748-49, to secure the submission of the act to the towns which resulted in a failure,<sup>2</sup> but an order that the act should be separately printed and a copy be furnished to each member of the assembly and to each town was duly passed February 1st, 1748-49.<sup>3</sup>

On the 31st of January, 1748-49, Shirley had certified a copy of the act which the assembly had passed for drawing in the bills of credit and this was forwarded to Bollan and by him was delivered to the clerk of the Privy Council. On the 16th of March it was referred to the Board of Trade and by that body was submitted on the 18th of April to Matthew Lamb for his opinion. Lamb made no objection to the act in point of law and on the 11th of May, 1749, the Board of Trade

<sup>1</sup> Mass. Arch., vol. 20, nos. 493-495.

<sup>2</sup> Mass. Arch., vol. 102, no. 412.

<sup>3</sup> Mass. Arch., vol. 102, no. 413.

reported to the council that they thought it advisable that the act should be laid before his Majesty for confirmation. The confirmation was finally accomplished on the 28th of June, 1749.<sup>1</sup>

On the 15th of June, 1749, Bollan announced that he had received an order for the money, and on the 30th he added that the same had been paid over on the 16th of June, with a reduction of the fees to 1*d.* in the pound.<sup>2</sup> Three persons had been appointed to receive the reimbursement on behalf of the province, Sir Peter Warren, William Bollan and Eliakim Palmer, and, to meet the objections raised by the attorney general, this appointment had been duly authorized by the assembly under a law of the province.<sup>3</sup> In case of the death or disability of either Warren or Palmer, Bollan and the other were authorized to act. Bollan, if alive, was to be one of the two who should act, in any event. The contingency which this clause was meant to cover actually arose. Palmer died before the money was delivered and Warren and Bollan received it. The transfer to them was made by a draft upon the Bank of England. The agents purchased with it Spanish silver and English copper coin. Including the expense of marine insurance and sacking and boxing the coin, their purchases came to £179,260, 3*s.* 2*d.*<sup>4</sup> The remainder of the amount allowed for the reimbursement was absorbed by fees and commissions. The fee at the exchequer took £765, 18*s.* 1*d.* The owners of the "Molyneaux", a vessel chartered for

<sup>1</sup> These papers are given in full in the note to ch. XV, Laws 1748-49. Acts. and Res. Prov. Mass. Bay, vol. 3. The report of the Board of Trade reviews the situation at length. See also Mass. Arch., vol. 20 no. 516.

<sup>2</sup> Mass. Arch., vol. 20, no. 532.

<sup>3</sup> Mass. Arch., vol. 102, no. 429.

<sup>4</sup> Mass. Arch., vol. 102, no. 440.

some purpose by the agents, were allowed £802, 19s. 9d, and this was reserved by the agents and paid to them.<sup>1</sup> On shipments of this character on government vessels, it was customary to allow the captain a liberal gratuity. They thought it would be unwise to oppose a well-established custom in this respect and, therefore, had not pressed the government for an absolutely free passage for the shipment. Besides, the Lords of the Treasury were well aware that the silver rate in this adjustment was favorable for the province, and the opening of this question might have had its dangers. Mr. Bollan, with Sir Peter's approval, agreed to give Captain Montague, of the government ship "Mermaid," a present of £1500, which they said was short of one per cent., in consideration of freight as expressed in his bills of lading.<sup>2</sup>

A commission of £2,710, 16s. 10d. was charged by Warren and Bollan. The object of this was to furnish Bollan with funds. He had incurred many expenses, and had proposed to Sir Peter Warren to withhold a portion of the money on that account. To this Sir Peter would not assent, but he suggested that they could with propriety charge a commission. Personally he did not wish any remuneration for his services, and after making certain payments out of his share of the commission amounting to £455, 8s. 4d. by way of gratuities to persons he had made use of, he held the balance, £900, subject to the draft of the province.<sup>3</sup> Bollan stated that he held the whole of his commission subject to the disposal of the province, leaving the question of remuneration to be settled by the assembly.<sup>4</sup> He had taken the

<sup>1</sup> Mass. Arch., vol. 102, no. 440.

<sup>2</sup> This charge does not appear in Bollan's account, but was probably paid him in Boston.

<sup>3</sup> Mass. Arch., vol. 20, no. 559.

<sup>4</sup> Mass. Arch., vol. 20, no. 554.

money, as it was the only method to which Sir Peter Warren would agree for reserving any of it, and he had need of money to meet liabilities already incurred and for province expenses. There remained in Bollan's hands a balance not used amounting to £109, 4s. 9½*d.*, with which he personally stood charged.

The Bank of England at first demanded 5*s.* 6*d.* for silver, and afterward reduced the price to 5*s.* 5*d.* At that time the Bank was paying 5*s.* 3½*d.* for silver. The fact that the province was known to be in the market as purchaser of so large an amount of coin affected the price of silver, but Warren and Bollan thought it was best to go ahead and secure the total amount. The market as a general thing was about a farthing an ounce above the purchasing rate made by the bank. They secured 110,000 ounces, a promiscuous lot of milled and pillared coins at 5*s.* 3¾*d.*, and later they purchased at 5*s.* 4*d.* a shipment from Spain of 300,000 milled pieces 8/8 which came in one remittance. The bank then lowered its rate and let them have £65,000 sterling in milled silver at 5*s.* 4*d.* A few more purchases made up the 650,000 ounces. There were some exchanges of hammered for milled money for which allowances had to be made.<sup>1</sup>

The silver was first sacked and then boxed. Copper coin was procured from the mint and boxed. The whole was then transferred to Portsmouth under the escort of the horse guards and then shipped on the "Molyneaux."<sup>2</sup> The exact form of the shipment was as follows :

<sup>1</sup> Mass. Arch., vol. 20, no. 554.

<sup>2</sup> Mass. Arch., vol. 102, no. 441.

		Ounces.
1-206	Chests, each 3,000 oz. milled pcs. of 8/8 in bags,-----	618,000
207-214	" " pillared " "-----	24,000
215	halves, ditto-----	3,000
	1,000 oz. halves,	
	876 $\frac{3}{4}$ " mixed,	
216	281 $\frac{1}{4}$ " milled-----	3,000
	423 $\frac{1}{2}$ " " half,	
	418 $\frac{1}{2}$ " " small,	
217	containing milled-----	2,000
		<hr/> 650,000

This was purchased at prices ranging from 5s. 3 $\frac{1}{4}$ d. to 5s. 4d., and the whole cost amounted to £173,129, 5s. 11 $\frac{3}{4}$ d. The copper coin was purchased by the ton, and was packed in 100 cases.

7 tons, 18 cwt., $\frac{1}{2}$ pence at	£10, 11s. 4d., cwt, cost,--	£1,669, 10s. 8d.
2 " 2 " farthings,	£10, 10s. 4d., " "-----	£ 441, 14
		<hr/> £2,111, 4s. 8d.

The net cost of the money was therefore £175,240, 10s. 7 $\frac{3}{4}$ d. They effected marine insurance for £175,000, at 2 per cent. to pay 98 in case of loss, the expense of which was included in their former statement of total cost. The expenses of the shipment in addition to marine insurance, sacking and boxing were, therefore, £4,019 12s. 6 $\frac{1}{4}$ d., and the net amount received in coin in the province, £175,240 and a fraction, sterling, was equivalent to £233,654 New England money. The expenditure may be tabulated as follows :<sup>1</sup>

	£	s.	d.	f.
Cost of silver,-----	173,129	5	11	3
Cost of copper, -----	2,111	4	8	0
Sacking, boxing and insurance, ----	4,019	12	6	1
Exchequer, -----	765	18	1	0
Shipping charge,-----	802	19	9	0
Agents' commission, -----	2,710	16	10	0
In Bollan's hands,-----	109	4	9	2
	<hr/> 183,649	<hr/> 2	<hr/> 7	<hr/> 2

<sup>1</sup> Sir Peter and Bollan rendered an account which is to be found in Mass. Arch. vol. 102, no. 440, and vol. 20, no. 558. It is printed in the appendix.



At the rate of conversion into old tenor which was fixed in Hutchinson's bill, the coin imported would redeem only £1,752,405 in bills of public credit. The original act had been based upon the theory that the whole grant could thus be applied and it was conceived that the impossibility of thus applying the entire sum in consequence of the reductions made for fees and expenses might render the act void and of no effect. Legislation was, therefore, secured at a later date to cure this supposed defect.<sup>1</sup>

Under the act for drawing in the bills of credit it was made the duty of the treasurer of the province, in case the General Court failed to pass an act apportioning the tax for £75,000 in bills of the middle and last tenor before the 20th of June, 1749, to send his warrants to the tax collectors of the several towns, basing his apportionment on the last preceding tax. When this date arrived, the money had been in Bollan's hands only four days, and of course, the assembly had no knowledge of this payment. They, therefore, took no action in the premises. The law was, however, imperative, so far as the treasurer was concerned, and he proceeded to carry it out as best he could. It happened that he made a mistake in his apportionment, which he afterwards discovered. He, therefore, sent a corrected apportionment to the collectors, and the assembly on the 14th of December ratified this correction of the assessment.<sup>2</sup>

In September, 1749, the people of Boston, to quote from Palfrey, "little used to the sight of money, saw seventeen trucks dragged up King Street to the treasury offices, laden with two hundred and seventeen chests

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 3, pp. 480-481.

<sup>2</sup> Mass. Arch., vol 102, no. 446; Acts and Res. Prov. Mass. Bay, vol. 3, p. 432, *et seq.*, note.

full of Spanish dollars, and ten trucks bearing a hundred casks of coined copper." In November, Lieutenant-Governor Phips said to the assembly, "I congratulate you, gentlemen, upon the favor of Divine Providence in the safe arrival of the money allowed by the parliament of Great Britain, for our expense in reducing Cape Breton, whereby we are enabled in great measure to pay off the great debt contracted by the charge of the late war and now lying upon this province."<sup>1</sup> Bollan, who had come over with the money, was summoned before the court to tell his story, and, on the 15th of December, it was "unanimously resolved that it appears to this court that the said William Bollan has discharged the trusts reposed in him with great zeal and faithfulness."

Six months intervened between the time of the arrival of the money and the date set for the redemption of the bills of public credit. As the time approached there was evident doubt as to whether the coined silver, and especially the small change, would remain in circulation. In any event, it was thought that there was not enough small currency, and the assembly appointed a committee to prepare a bill for restraining the currency of half pence, farthings and coined silver at a higher rate than in the proportion of the milled dollar to 6s. This committee recommended that small bills of the following denominations should be printed: One-quarter of a dollar, equal to eighteen pence lawful money of Massachusetts Bay; one-eighth of a dollar or nine pence; one-twelfth of a dollar or six pence; one-sixteenth of a dollar or four pence half penny; one-twenty-fourth of a dollar or three pence; and one-seventy-

<sup>1</sup> Mass. Bay House Journal; Acts and Res. Prov. Mass. Bay, vol. 3, p. 457.

second of a dollar or one penny. The total amount to be struck off was not to exceed three thousand pounds lawful money, and the treasurer was to hold as a fund for the redemption of this fractional currency three thousand milled dollars.<sup>1</sup> On the 27th of January, 1749-50, persons were designated to sign this fractional currency.<sup>2</sup> Those of us who remember the Spanish coinage which circulated so freely in this country before the rebellion, will recognize the titles of the nine pence and four pence ha'pennies which the eighths and sixteenths of a dollar retained down to that time throughout this part of the country. The entire amount of this fractional currency was prepared for emission, but Hutchinson says that "a small part only was issued," "scarcely any person would receive them in payment, choosing rather a base coin imported from Spain called pistorines, at 20 per cent. more than the intrinsic value."<sup>3</sup>

Apprehension was felt that silver might still be held at a premium,<sup>4</sup> even after the province was furnished with a metallic currency, and efforts were made to prevent by legislation what was termed in the preamble of the act passed for that purpose, a great inconvenience, but what would really have been a great menace to the prosperity of the province. It was provided in this act that it should not be lawful after March 31, 1750, to re-

<sup>1</sup> Mass. Arch., vol. 102, no. 455; Acts and Res. Prov. Mass. Bay, vol. 2, p. 507.

<sup>2</sup> Mass. Arch., vol. 102, no. 460.

<sup>3</sup> History of Massachusetts (Ed. 1795), vol. 3, p. 9.

<sup>4</sup> It was feared that the tax collectors would have difficulty in the performance of their duties, in consequence of the hoarding of notes for exchange for silver, and a resolve was passed in the house on the 15th of January, 1749-50, staying execution against collectors of taxes who should not remit until after May 31. Constables were ordered not to distrain until after April 30th. Mass. Bay House Journal.

ceive or pass any of the following coins at higher rates than those fixed by the act, namely: a guinea, at 28s.; an English crown at 6s. 8d.; a half crown at 3s. 4d.; an English shilling at 1s. 4d.; an English sixpence at 8d.; a double Johannes, or gold coin of Portugal of the value of three pounds twelve shillings, sterling, at £4 16s.; a single Johannes of the value of thirty-six shillings, sterling, at 48s.; a moidore at 36s.; a pistole of full weight at 22s.; three English farthings for one penny, and English half pence in the same proportion. Penalties were provided for violation of the act.<sup>1</sup>

"In order to dispense the silver" as the council phrased it, they voted on the 31st of March, 1750, that on the 2nd and 3rd of April, not more than fifty dollars in value should be paid to any one person and in every payment there should be included a certain proportion of copper money and of hammered dollars.<sup>2</sup> The house would not agree to this, the limitation of the amount of payment being evidently the basis of their objections, since the instructions as to forcing out the copper and the hammered money were accepted by them in another resolve. A scheme was also proposed for the purpose of preventing inhabitants of the neighboring governments from presenting bills for redemption either in person or by proxy. Inhabitants of this province were permitted to deposit bills of the neighboring governments, then in their possession, with the treasurer. In presenting bills of this province for redemption the inhabitants of this province were to make oath that the bills were their own property. If it was discovered that any were presented for redemption which actually belonged to inhabitants of the neighboring governments, they were to be re-

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 3, p. 494; Mass. Arch., vol. 102, no. 469.

<sup>2</sup> Mass. Arch., vol. 102, no. 472.

deemed in bills of the respective governments, lodged as above for this purpose by the inhabitants of this province,—credit being duly given to those who had thus lodged bills of these governments.<sup>1</sup>

On the same day a committee of six was appointed to sit daily until further orders for the purpose of receiving the bills presented for exchange for silver and for receiving bills of the neighboring governments presented by inhabitants of this province, to be held for exchange for bills of this government, in case any should be sequestered as the property of inhabitants of the neighboring governments and held for exchange as above. Every precaution was taken to prevent the silver from passing into the hands of residents of Rhode Island, Connecticut and New Hampshire. The suggestions as to requiring each person to take a proportionate share of copper and hammered money were incorporated in the definition of the duties of this committee, and they were also to be at liberty to pay unto any person (that might desire the same) three pence in every twenty shillings that might be exchanged, in the bills that were proposed to be emitted for small change. Large powers were conferred upon the committee to examine depositaries under oath as to the ownership of the bills, in order that the benefit of the act might be secured exclusively to residents of the province.<sup>2</sup> The time within which possessors of bills could present them for redemption under the original act for drawing in the bills of credit expired March 31, 1751, but apparently the committee appointed under this resolve was still in session on the 26th of April, 1751, for it was then ordered to close its labors on the third day of June

<sup>1</sup> Mass. Arch., vol. 102, no. 474.

<sup>2</sup> Acts and Res. Prov. Mass. Bay, vol. 3, p. 506.



of that year.<sup>1</sup> An examination of the situation of affairs will show that it was impossible for the province to have enforced the clause limiting the period of redemptions to one year.

Attention has already been called to the fact that the original scheme for the redemption of the bills was based upon the theory that the total amount of the grant of parliament would be received by the province. The amount absorbed by the expenses attendant upon collecting and remitting the money created a deficit in the means appropriated for the redemptions for which legislation had not as yet made provision. The province was unable to redeem its promises and the assembly frankly recognized the situation. They said that there was not silver in the treasury sufficient to redeem the bills and possessors would be injured unless relieved by the government. It was admitted that the paper currency of the province could not "be brought to a period" by the time proposed. In view of the fact that the designated time, at any rate as fixed by the original act of redemption, was already in the past, this admission was, perhaps, unnecessary. In order to meet the emergency which had arisen it was provided that possessors of bills who should bring them in by the third of June, 1751, were to be paid one-eighth in coin and seven-eighths in a certificate, which was to have added to it a premium of one per cent. and to carry interest at six per cent. from March 31, 1751. Apparently this method had been devised by the committee having in charge the redemption of the bills, for it was ordered that not only the certificates issued under this act but also those issued by the committee prior to March 31, 1751, should be redeemed in silver by December 31,

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 3, p. 555.

1751. The committee was to act as an intermediary between the possessors of bills and the treasury. Upon surrender of bills they were to issue orders on the treasurer for the eighth in coin and the seven-eighths in the form of a certificate. Special provisions were made as to the reception of these certificates by collectors of taxes and also as to their redemption.<sup>1</sup>

This act went through a process of evolution before reaching the shape in which it now stands upon the statute books,<sup>2</sup> and the records show that, except for the rigid adherence of certain individuals to principle, the assembly would even at this stage of the game have practically resumed the old practice of issuing a legal tender paper currency.

There is on file a protest of Andrew Oliver and Thomas Hutchinson against the proposed legislation of April 4, 1751, which sets forth the following objections to the act: 1st, because it fixes another means of discharging debts, a legal tender of uncertain value; 2nd, if the certificates are as good as money, it will be unnecessary to compel people to take them. If they are not as good it is unjust to do so; 3rd, a presumption on the part of the government that the value of the certificate is not equal to silver will tend to drive that metal out of circulation; 4th, no currency ought to bear interest. The established medium or instrument of trade ought to be certainly known, fixed and invariable.<sup>3</sup>

The bill as it originally passed the house was defeated in the council. On the second effort it got through both houses, and it was at this stage that Oliver and Hutchinson protested. The lieutenant-governor refused his con-

<sup>1</sup> Acts and Res., Prov. Mass. Bay, vol. 3, p. 554.

<sup>2</sup> *Ibid.*, vol. 3, p. 562.

<sup>3</sup> Mass. Arch., vol. 102, no. 485.

sent to this bill, influenced, perhaps, by this very petition, giving as reasons therefor that the certificates were made a tender in law in discharge of all private debts and contracts whatsoever, thus repealing or enervating the act to which this was called an addition, in one of its most material parts, and that he was further of the opinion that it would prove fatal to the country. In the modified form above described in which it afterwards passed, the act met with his approval.<sup>1</sup>

This was the last legislation on the statute books connected with the redemption of the bills. The province had already established a credit upon which it could secure loans. In June, 1750, the treasurer had been authorized to borrow five thousand pounds in Spanish milled dollars, on his notes payable with six per cent. interest in June, 1752.<sup>2</sup> Hutchinson says, "Few people were at first inclined to lend to the province though they were assured of payment in a short time with interest. The treasurer, therefore, was ordered to make payment to the creditors of the government in promissory notes, payable to bearer in silver in two or three years, with lawful interest. This was really better than any private security; but the people, who had seen so much of the bad effects of their former paper money, from its depreciation, could not consider this as without danger, and the notes were sold for silver at discount, which continued until it was found that the promise made by government was punctually performed."<sup>3</sup>

It will be noticed that Hutchinson dwells upon the fact that the notes issued by the treasurer were payable

<sup>1</sup> Acts and Res., Prov. Mass. Bay, vol. 3, p. 562.

<sup>2</sup> Acts and Res. Prov. Mass. Bay, vol. 3, p. 513.

<sup>3</sup> History of Massachusetts (ed. 1795), vol. 3, p. 10.

in silver. His statement was based upon the custom which prevailed during the period which he was discussing, but it happens that in the first attempt made by the province to provide itself with funds through loans, this precaution was omitted. There is nothing in the form of note to be issued by the treasurer which required its payment in silver. Doubtless, the custom of inserting this clause arose from the difficulties then experienced in negotiating the notes.

Although the change from paper money to a metallic currency was welcomed by the mass of the people, the advocates of the former, especially in the country, where the land bank had been strong, were still inclined to battle for their supposed rights and were even disposed to use force if necessary to maintain them.<sup>1</sup> Hutchinson says, "the prejudice in the town of Boston was so much abated, that when a large number of people from

<sup>1</sup> In 1750, one of the humorists of the day published a ballad with the following title: A mournful lamentation for the sad and deplorable death of Mr. Old Tenor, a native of New England, who after a long confinement by a deep and mortal wound which he received above twelve months before, expired on the 31st day of March, 1750.

Two verses from the ballad will give an idea of its general character.

Then, good Old Tenor, fare thee well,  
Since thou art dead and gone ;  
We mourn thy fate, e'en while we tell  
The good things thou hast done.  
Since the bright beams of yonder sun  
Did on *New England* shine,  
In all the land, there ne'er was known  
A death so mourned as thine.

Of every rank are many seen,  
Thy downfall to deplore ;  
For 'tis well known that thou hast been  
A friend to rich and poor.  
We'll o'er thee raise a silver tomb,  
Long may that tomb remain,  
To bless our eyes for years to come,  
But wishes, ah ! are vain.

Proceedings Mass. Hist. Soc., vol. 20, pp. 30-32.

Abington, and other towns near it, came to Boston expecting to be joined by the like people there, they were hooted at and insulted by the boys and servants, and obliged to return home disappointed." <sup>1</sup> These demonstrations were, however, of sufficient importance for the assembly to pass a special act for preventing and suppressing of riots, routs and unlawful assemblies.<sup>2</sup>

We have the authority of Hutchinson for the statement that the shock to trade which was apprehended from the resumption of specie payments was not felt. A good currency was insensibly substituted for a bad one, and every branch of business was carried on to a better advantage than before. On the other hand, the depressing influence of the paper currency continued to exert a disastrous result upon the business of the colonies which had not resumed specie payments from which at the time when Hutchinson wrote they had not recovered.<sup>3</sup>

On the 25th of June, 1751, his Majesty gave his royal assent to an act to regulate and restrain paper bills of credit in his Majesty's colonies or plantations of Rhode Island, and Providence plantations, Connecticut, The Massachusetts Bay and New Hampshire in America; and to prevent the same being legal tenders in payments of money.<sup>4</sup>

By this act it was not lawful after September 29, 1751, for the governor of any of these colonies or plantations to assent to any new emissions, or to reissues of those

<sup>1</sup> History of Massachusetts (Ed. 1795), vol. 3, p. 9.

<sup>2</sup> Acts and Res., Prov. Mass. Bay, vol. 3, p. 544.

<sup>3</sup> History of Massachusetts (Ed. 1795), vol. 2, p. 395, "I am old enough to have seen a paper currency annihilated at a blow in Massachusetts in 1750, and a silver currency taking its place immediately, and supplying every necessity and every convenience." The life and works of John Adams, vol. 10, p. 376.

<sup>4</sup> Journals of the House of Commons, vol. 26, p. 295 and Statutes at large, vol. 6, p. 580, ch. 53, 1751.



then in circulation, or to the postponement of the time for calling in the bills then in circulation; nor to give his assent to any act whereby the bills should in any manner be depreciated. All bills in circulation were to be called in according to the terms of the existing laws providing for their retirement. An exception to the restraining clause as to emissions provided that bills might be issued for current expenses, but must be retired within two years from the date of emission. Reasonable sums might be emitted in time of war for emergent expenses. There was specific legislation through which an attempt was made to cover delinquencies on the part of borrowers of these bills, and to prevent such delinquencies from affecting the question of the retirement of the bills. It was provided that after September 29, 1751, there should be no legal tenders. A penalty was prescribed for disobedience on the part of any of the governors.<sup>1</sup>

<sup>1</sup> Acts and laws of His Majesty's province of New Hampshire in New England, with sundry acts of parliament, etc., etc., Portsmouth, 1771, p. 251. This closely resembles the MSS. copies of proposed legislation on this subject already referred to as to be found in the Mass. Arch., vol. 102, nos. 170 and 176.

## CHAPTER XIII.

### PARLIAMENT AND BILLS OF PUBLIC CREDIT IN THE COLONIES.

There are certain circumstances connected with the passage of the act to regulate and restrain paper bills of credit, etc., which would compel its consideration in any event, and its mention at the close of the previous chapter affords an opportunity for an examination of the attitude of parliament towards the bills of credit during the time that they were being issued in the colonies. For some reason or other, the House of Commons took the matter up in 1739, and on the 13th of June, petitioned his Majesty to cause to be prepared for the next session, a statement of the rates per ounce at which gold and silver coin were bought and sold in the colonies and plantations in America in the years 1700, 1710, 1720, 1730, and the current rates of these metals at the time of the petition or address. They called for an account of the paper bills, or bills of credit, which by virtue of any act or acts of assembly subsisted or passed in payment in any of the British colonies or plantations in the year 1700, together with a statement of those which had been issued since that time, their value in British money at the date of issue and at the time of the address. They also called for the provisions which had been made for the bills being sunk or discharged, and an account of those which had already been sunk or discharged.<sup>1</sup>

On the 28th of March, 1740, returns were made covering these points as to New York, New Jersey, Massachusetts, New Hampshire, Pennsylvania, the counties

<sup>1</sup> Journals of the House of Commons, vol. 23, p. 379.

of Newcastle, Kent and Sussex on Delaware, Maryland, and a number of the island colonies. The return from Massachusetts consisted of an account of the bills of credit made and issued by the province for the support of the government from the year 1700 to the year 1738, and of the provision made on their emission for sinking and discharging such bills, by taxes upon polls and estates, and the duties of impost and excise. Also an account of the province bills, made by order of the General Court, and delivered to the treasurer of the province, for which he also gave credit in the several years set against the sums; together with an account of what bills had been burnt, with the times when, and the price of silver and exchange.<sup>1</sup>

On the 10th of April, the Commons called for the instructions which had been issued concerning the observance of the act for ascertaining the value of foreign coin in America, also for the instructions which had been issued to governors not to give their assent to acts of assembly for the striking and issuing paper bills of credit in lieu of money, and likewise those instructions relating to the passing of bills, whereby the trade or navigation of the kingdom might be any ways affected.<sup>2</sup>

On the 15th of April, in addition to the returns already received relative to the bills of public credit of the colonies, "An account of the rise and progress of the paper bills of credit of South Carolina" was presented.<sup>3</sup> Copies of the instructions called for were also reported and in addition to the general instructions, sent to all the governors, particular instructions and additional instruc-

<sup>1</sup> Journals of the House of Commons, vol. 23, p. 512.

<sup>2</sup> Journals of the House of Commons, p. 518.

<sup>3</sup> Printed in the 9th volume of the Statutes at large of South Carolina and separately printed in vol. 5, no. 4, of Sound Currency, New York, 1898.

tions to the governors of Massachusetts and New Hampshire were sent in. To these were added particular instructions to the governor of South Carolina in 1730, and particular instructions to the then governor of that colony.<sup>1</sup>

On the 25th of the same month, Francis Wilks and Christopher Kilby, agents for the province of Massachusetts Bay, becoming alarmed at the investigations which parliament was making, petitioned for a hearing. They stated that when Belcher assumed the government of the province he found the revenue charged with the redemption of public bills, each year from 1730 to 1741, to the extent of between £16,000 and £17,000. These bills had been issued to meet the exigencies of the government caused by the long and distressing war with the Indians. The redemption of all bills issued since Belcher's accession had been laid on the years preceding 1742, so that there was to be drawn in, each year, in 1739, in 1740, and in 1741, £68,000. Beside this there was outstanding £45,000 in loans to be drawn in speedily with interest. They conceived it to be their duty to call attention to the present distressed condition of the province for want of a new emission of paper currency. Great confusion would ensue unless this were permitted.<sup>2</sup>

This petition having been read, the request for a hearing was granted and Kilby was called in. The committee in whose charge this matter had been placed had announced on the day previous that they were prepared to report and that they had certain motions to offer.<sup>3</sup> These motions they now submitted. They were, 1st,

<sup>1</sup> Journals of the House of Commons, vol. 23, p. 520.

<sup>2</sup> Journals of the House of Commons, vol. 23, p. 527.

<sup>3</sup> Journals of the House of Commons, p. 526.

that it was the opinion of the house that the act of Queen Anne regulating the value of foreign coins in the colonies had not been observed ; and 2d, that the operation of the act had been frustrated by the legal tender function of the bills of public credit, After these motions were submitted, Kilby was heard, and he then withdrew. The House of Commons then adopted the first resolution, without a dissenting voice, and with equal unanimity, they voted to request his Majesty to require the observance of the act of Queen Anne, and to issue his proclamation fixing the values at which foreign coins should circulate in the colonies.

The second resolution, after a slight verbal amendment was then unanimously adopted, and it was then resolved to address his Majesty requesting him to require the governors to observe the instructions which had been issued to them not to give assent to or pass any act whereby bills of credit should be issued in lieu of money, without a clause should be inserted in such act, declaring that the same would not take effect until it should have been approved by his Majesty. It was also voted to request his Majesty to cause the Commissioners of Trade and Plantations, to have prepared an account of the bills of credit then outstanding in the several colonies, with their then value and their value at the times when they were issued, in money of Great Britain, together with an opinion of what would be the most easy and effectual manner of sinking and discharging all such bills of credit with the least prejudice to the inhabitants of the said colonies and plantations and interruption to the commerce of the kingdom.<sup>1</sup>

<sup>1</sup> The report of the Board of Trade in reference to the address of the House of Commons to His Majesty on April 25th, is given in "The general magazine and historical chronicle for all the British plantations in America," pp. 258-260. They say there is not enough basis



A motion calling for memorials and papers presented by merchants and traders of London, Bristol, and Liverpool, or any other persons, relating to any act of assembly for the creating or issuing of paper money in any of the colonies since June 29, 1716, was defeated.

On the 28th of April, his Majesty signified his willingness to furnish the papers called for.<sup>1</sup> At that point matters slumbered until the spring of 1744. On the 18th of April of that year, a petition was presented by several traders in behalf of themselves and others concerned in the provinces of America. The petitioners stated that upon representations being made to the last parliament, setting forth the evil consequences of raising the nominal value of silver and gold, the House of Commons came to several resolutions condemning the mischievous practice of altering the rates of silver and gold by issuing bills of credit. The house had likewise by addresses to his Majesty desired him to command the colonies to obey the instructions which had been issued upon that point. From time to time orders had been given by his Majesty to the governors to obey existing laws on this subject and to refrain from giving their assent to any act for further emissions of bills of public credit. The provinces had not, however, all observed these laws. Large emissions of bills of public credit had been made, whereby estates had depreciated, and the petitioners had been injured. Some legislation on the subject was necessary.

for a report but they recommend that the governor be directed to take care that the funds are protected. That where bills are issued on loans, care be taken that these loans shall be called in when due, and that ineffectual funds be made good. If these steps are carried out they will help, but the charter governments do not pay much attention to instructions.

<sup>1</sup> Journals of the House of Commons, vol. 23, p. 528.

After the reading of the petition, the journals of the House of Commons in which the action was recorded which was referred to by the petitioners were also read, and it was then ordered that leave be given to bring in a bill to prevent the issuing of bills of credit in the British plantations in America to be legal tenders in payments for money.<sup>1</sup> There can be but little doubt that this bill would have been passed promptly, but for the warlike spirit which was stirred up about this time in New England by Shirley, which, as matters then stood, could not have accomplished any results except through the emission of bills of public credit. The matter was then dropped, probably for this reason, and remained quiescent until attention was attracted to it by the various discussions in connection with the reimbursements for the Cape Breton expedition. That this was an opportune moment for legislation of this sort, if it was ever to be put in force, was plain. It is not strange then to find the subject again before parliament in the beginning of the year 1749. It was ordered in the House of Commons, on the 16th of February, 1748-49, that leave be given to bring in a bill to regulate and restrain paper bills of credit in the British colonies and plantations in America, and to prevent the same being legal tender in payments for money, and for the better enforcing his Majesty's orders and instructions throughout the said colonies and plantations. On the third of March this bill was read twice and ordered printed. A comparison of its title with that of the bill for which permission was given to be reported in 1744 will disclose the fact that, in addition to what was comprehended in the bill then introduced, parliament proposed to legalize the royal instructions and enforce them in the colonies.

<sup>1</sup> Journals of the House of Commons, vol. 24, p. 658.

The perils of the situation aroused the representatives of the colonies then in London and one after another they petitioned parliament to be heard. These petitions were all of them granted and seven of the governments in America were at different times heard by counsel at this stage of the bill in the House of Commons. The petitions themselves are printed at length in the journals of the house. They are of widely different merit, but those filed by the agents of Connecticut and Massachusetts Bay are especially worthy of careful perusal.

Eliakim Palmer, one of those to whom power was given to receive the reimbursement in behalf of the province of the Massachusetts Bay, was the agent of the colony of Connecticut. His petition which was presented March 15th opens with a careful review of the charter and of the rights conferred thereby and then goes on to say, "That as this charter has invested the governor and company of Connecticut with the full powers of government, and as they have never yet abused any of the privileges granted by their charter, and as the most valuable of them, should this bill pass into a law, will be irretrievably torn from them, in violation of the security and sanction of the charter"; therefore he prays to be heard. On the same day Richard Partridge petitioned to be heard both as agent of Pennsylvania and as agent of Rhode Island. In the latter petition, after reviewing the history of the charter, he gave as a reason why he should be heard because "the passing the before mentioned bill may be attended with such fatal consequences to the inhabitants of the said colony, in interfering with their charter privileges which they have hitherto enjoyed." On the 22d of March, the merchants and traders in London who were concerned in Pennsylvania put in their petition to be heard in the matter.

The petition of Bollan, the agent of the province of the Massachusetts Bay, was read on the 6th of April. This document contains an elaborate and strong presentation of the case of the colonies. Taken in connection with his bold and persistent efforts to secure for the province the total amount claimed for the reimbursement of the expenses of the Cape Breton expedition, it stamps him as one of the ablest, perhaps the ablest, among the patriots of the day, who were warring against the autocratic doctrine of governing the colonies through royal instructions. Bollan narrated the history of the charters of the colony and province *in extenso* and then proceeded to analyze the commission issued to Phips, taking that as the model on which all the others were framed. He said the governor of the province was required to execute all things in due manner that should belong to that trust, according to the several powers and authorities mentioned in the charter and in the commission, or such further powers, instructions and authorities, as he should then receive, or which should at any time thereafter be granted or appointed him under the royal sign manual and signet by order of the Privy Council in pursuance of the charter. A colony, he said, being the progeny of the state has an undoubted right to the liberties of the mother country. He showed that parliament had, in the days of Charles II, in an act for the encouragement of trade, declared that the colonies were peopled by his Majesty's subjects. Being subjects, they had, and their successors, the inhabitants of the province at the time when Bollan wrote, then had, a clear title to the benefits of common law and the liberties of Englishmen. The laws were then and ever ought to be the sole measure of their subjection and the rule of the King's government over them. This bill by the matter

therein contained providing for the enforcement throughout the colonies of royal orders and instructions would practically approve all future orders of future princes, no matter how repugnant they might be to the present constitution of Great Britain, and all such orders, if the bill should become a law, would receive the sanction of parliament. Royal orders, no matter how illegal except for this bill, would through its agency, when ratified and enforced by it, themselves become laws and necessarily bind the people. The special powers and privileges which the inhabitants of the Massachusetts Bay then enjoyed through the charter, would be taken from them by the natural operation of the act if it should come to be law and they would likewise be deprived of all the liberties they then held in common with British subjects. The bill he thought to be disproportionate in parts, insufficient to cure the evils against which it was directed and liable to a construction prejudicial to the inhabitants of the province which he represented.<sup>1</sup>

April seventh, South Carolina and New York petitioned to be heard by counsel in remonstrance against the passage of the act. All of these petitions were afterwards taken up, counsel for the several colonies were duly heard and evidence admitted tending to show the injurious character of the proposed bill. In further pursuance of the matter, the House of Commons on the second of May addressed his Majesty, calling for a certain petition which had been presented to the Privy Council by sundry merchants and principal inhabitants of Boston. The Commons wished this paper laid before them. On the thirtieth of the same month they again

<sup>1</sup> Mass. Arch., vol. 20, no. 501. Journals of the House of Commons, vol. 25, pp. 813-815.



addressed his Majesty, asking him to cause to be prepared, and laid before the house at the next session of parliament, an account of the tenor and amount of the bills of public credit which had been created and issued in the British colonies and plantations in America, and which were then outstanding, distinguishing the same in each colony and plantation, and giving the respective times when such bills so outstanding were issued. They also wished the value of these bills to be stated in the money of Great Britain, both at the time when they were issued and at the time of preparing the account. The times for calling in and discharging such bills and the funds appropriated for that purpose were also to be included.

The combined efforts of the colonies made such an impression upon the House of Commons that the clauses in the bill for enforcing the royal instructions were dropped.<sup>1</sup> It can hardly be doubted that the convincing manner in which Bollan presented the argument that by the passage of the bill in its original shape, parliament would commit itself to the approval in advance of any instructions that might be sent, thereby giving them the force of laws, must have opened the eyes of the house to the enormity of the proposed legislation. The power of parliament to pass the law was not at the time questioned in the discussion, but the right thus to discriminate against a portion of the subjects of the realm was disputed. The spirit in which the House of Commons resigned that power and admitted the force of the bold and unflinching presentation of the case of the colonies cannot fail to attract our attention.

About three months after Bollan's petition was read before parliament, he was on his way across the Atlan-

<sup>1</sup> Mass. Arch., vol. 20, no. 507.

tic with the money received for the reimbursement which had been shipped to Boston on the "Mermaid", by Sir Peter Warren and himself. He left London fully satisfied that the clauses against which he had directed the main force of his argument were dead, but the very fact that he was about to put the Province of the Massachusetts Bay in position to resume specie payments was in itself an argument why the bill should be taken up again and enforced as to the other colonies. The mention of the name of the province in the act would count for nothing, except in case of future emergencies.

That which was inevitable happened in 1751. On the 26th of February, 1750-51, a petition of the merchants of London trading to his Majesty's colony of Rhode Island was presented to the House of Commons.<sup>2</sup>

The petitioners represented that the currency of Rhode Island had depreciated in value over one-half within seven years. They said that there were then outstanding bills of the nominal value of £525,535. Notwithstanding this condition of affairs several petitions for a new bank or another emission of paper bills of public credit had been lately presented to the general assembly.<sup>3</sup> The most considerable inhabitants of the province had petitioned the assembly not to take this step, but in August last a vote had been passed to emit £50,000 in bills of a new tenor, to be let out as loans. These would be equal in value to £400,000 in bills of their present currency, old tenor. They were, it

<sup>1</sup> The statement on p. 240, second line from the bottom, that the silver was shipped on the "Molyneux" is an error. The vessel employed for this purpose was the "Mermaid" as is indicated on p. 239.

<sup>2</sup> Journals of the House of Commons, vol. 26, p. 64.

<sup>3</sup> The petition for a new bank meant, as the language of the text indicates, another emission, but it includes also the idea that the bills should be loaned to the inhabitants.

was said, made a legal tender in all payments whatsoever, let the stipulation of the contract be what it might. On the 12th of March, 1750-51, Bollan who had returned to London, testified that in 1742, silver was worth in Boston, in bills of credit of the old tenor, 27*s.* 6*d.* to 28*s.* 6*d.* In 1749, it was worth 60*s.* or thereabouts. Rhode Island bills varied but little from these rates. Barlow Trecothick testified that in 1742, exchange was £500 to £550 in Rhode Island bills of credit for £100 sterling. Alexander Grant said that the rate at the time of the hearing was £1,050 to £1,100 for £100 sterling, and that no general tax had been levied for paying off or sinking the bills of the treasury for upwards of twenty years, except one in 1744, for £10,000 currency, which was less than £1,000 sterling in 1751.

The committee resolved: first, that the rates of exchange were as shown in the testimony above given; second, that the bills had circulated promiscuously in the New England colonies, and that experience had shown that it was impracticable to prevent this except through legislation by parliament; third, that the rise in silver had defrauded creditors and had discouraged trade; fourth, that notwithstanding repeated notices from parliament, Rhode Island had in August voted to prepare a bill for the emission of £50,000 new tenor; and fifth, that to remedy this, the bills should be regulated and restrained. This report was agreed to by the House of Commons. The title which was adopted for the bill presented as a result of this has already been given.

March 15, 1750-51, statements of the condition of the currency in New Jersey, Rhode Island, North Carolina, South Carolina, Pennsylvania, New Hampshire, Massachusetts Bay and New York were submitted to the

house. The hearing was postponed from time to time, and other papers were produced. Bollan presented a petition for hearing on the 20th of April, 1751. He claimed that the province required credit in case of war, and that the curtailment of their power in this direction was contrary to and inconsistent with the charter rights and liberties of the province, and the well-being of the inhabitants thereof. Connecticut was heard in opposition to the bill, and New York also appeared among the remonstrants, but this time they made little impression on the House of Commons. Their arguments lacked force, and there was but little that the agents of the colonies could say, in view of the experiences which the several governments in America had undergone in connection with the issues of bills of public credit, that could command the sympathies of intelligent men, when pleas were advanced for the continuance of the rights of the colonies in this regard. The bill was passed on the 10th of June, and received the royal assent on the 25th of that month.<sup>1</sup>

<sup>1</sup> Journals of the House of Commons, vol. 26, p. 295.

## CHAPTER XIV.

### THE ENGRAVED PLATES AND THEIR VARIOUS ALTERATIONS.—THE COLONY BILLS AND THE OLD TENOR.<sup>1</sup>

The number of bills of the colonial and of the provincial currency which have been preserved is so limited that if we were compelled to rely for details concerning them upon such specimens as can be found in our museums, cabinets, and private collections, we could tell but little as to the denominations which were in circulation, and should have but slender grounds upon which to base a description of the plates used in some of the emissions.

The colony bills were, as appears from the records, and from Mather's description of them, engraved on copper plates<sup>2</sup>. A few of these engraved bills survive and no question as to the fact that the entire emission was printed from these plates could arise, except from the quasi-endorsement as a true bill given to a pen and

<sup>1</sup> A paper entitled "The Massachusetts Bay Currency, 1690-1750" was read by the author at the October meeting of American Antiquarian Society, 1898. It was devoted mainly to the different series of plates and the denominations on them. The paper was published in the Proceedings of the Society with a table attached showing the different plates in use during this period and the denominations on them. This table will be found in the appendix.

<sup>2</sup> "Hereupon there was appointed an able and faithful committee of gentlemen, who printed, from copper plates, a just number of bills, and flourished, indented and contrived them in such a manner, as to make it impossible to counterfeit any of them, without a speedy discovery of the counterfeit; besides which they were all signed by the hands of three belonging to that committee." *Magnalia*, book 2, vol. 1, p. 190. Hartford edition, 1853. May 21, 1691, a committee was appointed "to call in and take into safe custody the plates which the Bills were printed off with." *Mass. Court Rec.*, vol. 2, p. 185.



ink copy of one of them, by its reproduction in the Proceedings of the Massachusetts Historical Society for 1863. The copy is considerably larger than the genuine bills and the signatures thereto are apparently simulated. It is not probable, however, that there was any intention to deceive through the imitative character of the signatures. It is evident from the endorsement of the province treasurer which was reproduced in the copy, that the original bill was in circulation after 1692. It is not, in my judgment, conceivable that any committee of the late colony would at that time have assumed to act in its name.<sup>1</sup>

In the original act of emission, it was provided that the denominations should not be under five shillings nor over five pounds, but in February, 1690-91, the range was altered, and the committee was authorized to emit bills from two shillings to ten pounds. These were probably in eight denominations: 2s, 2s. 6d, 5s, 10s, 20s, 60s, 100s, and 200s.<sup>2</sup> The selection of these denominations must at the beginning have been purely experimental. The enlargement of the range within a few weeks from the date of the first emission, shows that experience had already taught the committee something in this regard. The lowest limit then set stood the test for several years, but the ten pound note would seem to have been a mistake. From occasional reports made at

<sup>1</sup> For a discussion as to the genuineness of this bill see Proceedings of the Mass. Hist. Soc., June, 1899.

<sup>2</sup> We have references to the several denominations as follows: 2s, 2s. 6d, and 5s, Acts and Res. Prov. Mass. Bay, vol. 8, pp. 178, 279; 10s, *Ibid.*, vol. 7, p. 303; 20s, *Ibid.*, vol. 7, pp. 280, 341; vol. 8, p. 21; £ 3, *Ibid.*, vol. 7, p. 21, vol. 8, p. 289; £ 5, *Ibid.* vol. 8, p. 289. Mention of the £ 10, is to be found in the act of February 3, 1690-91, Mass. Court Rec., vol. 6, p. 174. Mather's Magnalia, Hartford edition, vol. 1, p. 191. Hutchinson's History of Massachusetts (ed. 1795), vol. 1, p. 356.

a later date by the treasurer, in connection with the burning of defaced province bills, it is evident that there could have been but little call for so large a bill at any time, and it does not appear to have been included within the range of any other series. Indeed the maximum of the new tenor bills was forty shillings.

The form of the bills approved in connection with the original emission, had a space reserved in the manuscript draft of the law submitted by the committee, which was surrounded with a scroll and marked "Indentment." From repeated references as well as from specimens we know that the bills were actually indented.<sup>1</sup> They were signed by a committee appointed for the purpose three signatures being required upon each bill.<sup>2</sup> If we accept the two specimens in the Essex Institute and the Massachusetts Historical Society, as representative of the general character of the bills of this series, they were plain and unostentatious in appearance,<sup>3</sup> and the engraving of the plates was rude and unskillful. The only attempt at embellishment consisted of a pattern resembling lathe work of a simple character at the top of the face of the bill; another of a similar description on the top of the back, and a rude representation of the colony seal in the lower left hand

<sup>1</sup> Mass. Court Rec., vol. 6, p. 171; Acts and Res. Prov. Mass. Bay, vol. 7, pp. 280, 303; vol. 8, p. 21.

<sup>2</sup> Mass. Court Rec., vol. 6, p. 170. Mather's *Magnalia*, Hartford edition, vol. 1, p. 190.

<sup>3</sup> There is a 5 s. bill in the Collection of the Essex Institute, and a 20 s. bill in the Cabinet of the Massachusetts Historical Society. The latter bears upon its face evidence of being an altered bill. It bears date February 3, 1690. Jeremiah Allen, March 26, 1703, gave a certificate that there were no 20 s. bills in that emission. He also certified that the 20 s. bill ought to have borne the date December 10, 1690, and further that the 2 s. 6 d. bills of February 3 had many of them been altered to 20 s., but could be detected by the date. Acts and Res. Prov. Mass. Bay, vol. 8, p. 289.

corner. The words, "Come over and help us," represented as issuing from the Indian's mouth, are reversed in the bill, so that they become legible only through reflection in a mirror.<sup>1</sup> In this respect the seal differs from the form in which it is commonly presented, the phrase as a whole being in general inverted. Over the top of the bill the denomination is expressed by a numeral, while on the face of the bill the words indicating the amount are given in full. It is probable that this method of designating the denomination prevailed throughout the series, and that there were no prominent distinguishing features between the bills of different denominations.<sup>2</sup>

It has been seen that the province, as a temporary expedient, and probably in the hope that the necessity of issuing province bills might be avoided, continued for ten years to make use of the colony bills. Under the province laws authorizing these emissions, after December, 1693, the treasurer was required to endorse the bills before paying them out. Colony bills, endorsed by the province treasurer, may, therefore, be accepted as having performed double service, under colony and province.<sup>3</sup> The numerous cases in which special provision was made after 1702, for the redemption, or rather the ex-

<sup>1</sup> For a modern representation of the seal, see title page of the Records of Massachusetts. In Whitmore's Colonial Laws of Massachusetts, reprint of 1672 edition, the annual legislation down to 1686 is appended to the fac-simile reprint of the digest. This is also given in fac-simile, and, beginning with the year 1675, each annual publication bore at its head a rude cut of the colony seal. An examination of the manner in which the engraver presented the phrase above referred to will show that the cut used in 1675 differed from those used thereafter.

<sup>2</sup> See Plate 1.

<sup>3</sup> Francis Burroughs, who endorsed the 5s. bill, plate 1, was one of a committee appointed by the act of July 5, 1692, to endorse bills borrowed by the province. Acts and Res. Prov. Mass. Bay, vol. 1, p. 36.

change of unendorsed colony bills for province bills, show, either that the treasurer was negligent in the performance of his duty as endorser, or that many of the colony bills remained in circulation without endorsement long after they should naturally have been retired.

Before 1702, these bills must have become very much defaced and tattered; it is not surprising, therefore, to find that a proposition was made in the assembly in 1701, to print a new supply of them. The impossibility of procuring any signatures to the bills on the part of representatives of the colony, was probably the snag on which this scheme was wrecked.<sup>1</sup>

No special legislation appears upon the statute books in reference to counterfeits of these bills. This was not because they were exempt. They were certainly altered by raising the denominations. In contemporary legislation "counterfeits" were spoken of, but as this word was then applied to altered bills, it is not certain that counterfeiters at that time resorted to imitations of the plates.<sup>2</sup> The fact that the denominations were altered may be accepted as evidence that there was no great difference in the appearance of the bills of the several denominations of this issue.<sup>3</sup>

<sup>1</sup> In the tax act of 1701 an emission of £ 6,000 was authorized. On the 6th of August, the house resolved that "the Province Treasurer be directed forthwith to imprint and emit so many bills of credit as with what he had in his hands at the time of the passing of the last Act of this Court granting to His Majesty a tax upon polls and estates shall make up the aforesaid sum of six thousand pounds." The resolve then went on to confer authority upon the province treasurer and Capt. Andrew Belcher to sign these colony bills. The proceeding was, however, too absurd for the council and they non-concurred. *Mass. Arch.*, vol. 101, no. 209.

<sup>2</sup> Acts and Res. Prov. Mass. Bay, vol. 7, p. 227; vol. 8, p. 289.

<sup>3</sup> There was a bill passed in November, 1692, entitled "A bill against the counterfeiting, clipping, rounding, filing, or impairing of coynes." In this act the word money as well as coins is used, but the title seems to indicate that the counterfeiting against which it was

The bills of the form which were afterwards known as "old tenor" were first issued in 1702. The form remained in constant use after that date down to the time that the province currency was withdrawn from circulation, although the designs adopted for the bills of the first series were superseded in 1713, and a new set of designs for all the bills in use was then adopted.<sup>1</sup> The original plates bore date 1702, but from time to time while these plates were in use, changes were made in the dates of some of the bills thereon.

It was specified in the act authorizing the first emission of the province bills that they should be indented.<sup>2</sup> So long as the bills remained perfect this might have served as a means for determining the authenticity of a bill, in case proper provision were made for marking and preserving the stub. As a practical safeguard, however, it is evident that it was worthless. The bills soon became ragged and tattered, and of course, any test of this sort must then have become impracticable.<sup>3</sup> Moreover, the necessity of reinforcing the strength of the feeble paper upon which they were printed soon created a com-

directed was that of the metallic coinage then in circulation. *Mass. Arch.*, vol. 100, nos. 405, 406. *Acts and Res. Prov. Mass. Bay*, vol. 1, pp. 70, 71.

<sup>1</sup> The last actual emission was in January, 1740-41. *Acts and Res. Prov. Mass. Bay*, vol. 2, p. 1040.

<sup>2</sup> *Ibid.*, vol. 1, p. 503.

<sup>3</sup> The shocking condition in which the bills were permitted to circulate is alluded to by contemporary writers and may be inferred from some of the legislation. June 9, 1708, an order was passed "That all such of the bills of credit that are torn, worn out and rendered unpassable be exchanged, and that the treasurer deliver to the persons respectively bringing the same whole bills of like value in lieu thereof, or a proportionable part of the value to the value of the bills returned; viz; for three quarter parts, three quarter parts of the value; for a half, one-half of the value; none to be received under half a bill." *Acts and Res. Prov. Mass. Bay*, vol. 9, Resolves 1708-9, Ch. 9, p. 10. *Mass. Court Rec.*, vol. 8, p. 360.



mon custom of pasting pieces of paper upon their backs, which must have interfered with the indent as a means of identification. These causes are perhaps adequate to make it clear that this provision of the law could not have been of any service, but if it be added that the bills were often halved and quartered, in making change, the futility of the process will be fully recognized.

The duty of selecting suitable "stamps" for the bills, was thrown upon the governor and council, and the devices engraved for this purpose were termed the "escutcheons or stamps,"<sup>1</sup> the alternative phrase "blazons" being sometimes applied to them.<sup>2</sup> The signing of the bills was entrusted to a committee, the number of which was not fixed by the act, but it was specified that the bills must be signed by the committee "or any three of them." The original committee was actually composed of five members,<sup>3</sup> and the preparation of the plates seems to have been turned over to them. They caused six copper plates to be prepared, three of which were engraved.<sup>4</sup> With the exception that the denominations of the bills were to be "in suitable sums from two shillings to five pounds," the determination of the denominations and the distribution of the amount to be issued among them were apparently left to the committee. From repeated mention, we know that originally the bills were issued in eight denominations,<sup>5</sup> and they were 2s., 2s. 6d., 5s., 10s., 20s., 40s., £3, and £5.<sup>6</sup> In 1709, the

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 8, pp. 640, 642.

<sup>2</sup> *Ibid.*, vol. 8, p. 204.

<sup>3</sup> *Ibid.*, vol. 1, p. 508, note; vol. 8, p. 24, p. 774 note.

<sup>4</sup> *Ibid.*, vol. 7, p. 747. By Mr. John Conny.

<sup>5</sup> *Ibid.*, vol. 8, pp. 204, 640.

<sup>6</sup> See table in report of committee, November, 1704, *Ibid.*, vol. 8, p. 469.





number of denominations was increased to ten, alterations being ordered in one of the plates which furnished 3s. and 3s. 6d. bills.<sup>1</sup> In a similar way, in 1710, through alterations in the plates then in use, a 4s. and a 50s. bill were added, thus bringing the number up to twelve.<sup>2</sup> Frequent references to each of the foregoing denominations are to be found in the reports of the committees appointed to oversee the burning of the bills.<sup>3</sup>

In a letter to the Lords of Trade, May 9, 1713, the postmasters general allege that loss arose in the postal service in the province through the fact that the nominal value of the lowest denomination of the public bills amounted to a crown. This statement was based upon information obviously erroneous, and Dummer, the agent of the province, on the 25th of June, informed the Lords of Trade that some of the bills were made for so small a sum as eighteen pence.<sup>4</sup> Although no authority can be found, previous to the year 1713, for the emission of a bill of this denomination, we know that they were authorized that year, and specimens in existence, bearing that date, show that they were then put in circulation.<sup>5</sup>

The three plates which the committee caused to be engraved, were known as the large, sometimes also called the great, or the high plate, the middle plate, and the lowest plate, the classification being based upon the denominations of the bills on the several plates. It is evident from references that each plate was engraved so that an impression could be simultaneously taken of

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 1, p. 646.

<sup>2</sup> *Ibid.*, vol. 1, p. 668.

<sup>3</sup> Mass. Arch., vol. 101, nos. 391, 409.

<sup>4</sup> Acts and Res. Prov. Mass. Bay, vol. 1, p. 705.

<sup>5</sup> This does not of necessity corroborate Dummer's statement, but it has that effect if his assertion can be held to include the issues of that year.

four bills, and one such impression has been preserved.<sup>1</sup> The lowest plate at this time had two bills of 2s. and two bills of 2s. 6d.<sup>2</sup> The middle plate contained the 40s., 20s. 10s. and 5s. bills.<sup>3</sup> The great plate must have contained the £5 bill, the £3 bill, and two 20s. bills.<sup>4</sup> The language used in the preamble of the act of 1710, "there were three plates engraven of the twenty shilling bill,"<sup>5</sup> must be taken in connection with the report of the committee cited above, and probably means merely that there were three cuts of that bill. The committee had recommended in June that the two twenty shilling bills on the great plate be altered, thus locating two of these cuts.<sup>6</sup> Full authority was conferred at that time to carry out this suggestion, and this act is to that extent a mere ratification of what the court had already authorized to be done. It goes one step further, however, in instructing the committee to change the date of the 20s. bill on "the third plate" to 1710.<sup>7</sup> This can only refer to the cut of that bill on the middle plate. From the preamble of this act, we learn that the impressions taken from these three cuts of the twenty shilling bill could be readily distinguished from each other. There were, it was said, "some literal differences in the character each from the other," and there were "some variations not obvious without a curious inspection."

The first discovery that any counterfeits upon the emission of 1702 had been put in circulation, took place in July, 1704. This was before any special legislation

<sup>1</sup> Mass. Arch., vol. 101, no. 361.

<sup>2</sup> Acts and Res. Prov. Mass. Bay, vol. 1, p. 646.

<sup>3</sup> *Ibid.*, vol. 1, p. 561; vol. 8, pp. 55, 202. For an impression from the middle plate, see Plate 3.

<sup>4</sup> *Ibid.*, vol. 1, p. 668.

<sup>5</sup> *Ibid.*, vol. 1, p. 666.

<sup>6</sup> *Ibid.*, vol. 1, p. 668.

<sup>7</sup> *Ibid.*, vol. 1, p. 666.



had been made, declaring the commission of such an act to be a criminal offence. It was important, therefore, to convince the public that such acts were illegal, and that the government could find a way to punish the perpetrators. On the 24th of July, the governor by advice of the council, issued a proclamation calling in for inspection all the 20s. bills, this being the denomination which had been counterfeited. A reward of fifty pounds was offered for disclosures which would lead to the conviction of the persons who had committed the forgery, and indemnity was tendered to the informant in case he should be one of the conspirators.<sup>1</sup> The size of the reward led to treachery among the counterfeiters, and the next day four of them were arrested and their plate and press were seized. One of the gang, apparently the most criminal of the lot, escaped, and on the eighth of August, a proclamation was issued offering a reward of thirty pounds for his capture. This resulted in his arrest in Stonington, Connecticut, on the tenth. He was, however, an old hand in such matters, and managed to escape from his captors. He was next heard from in Philadelphia, where he was again arrested. While in custody, on the way to Boston, the vessel in which he was being transported suffered shipwreck, and he was for a while lodged in jail in New Jersey. Ultimately he was sent forward, in irons, but at Newport he again contrived to escape. He was, however, promptly recaptured and was sent to Boston, where he arrived in June, 1705, and was tried, convicted and imprisoned.<sup>2</sup> Between the time of the first arrest of the counterfeiters

<sup>1</sup>This Proclamation was published in no. 15 of the *News Letter*, July 31, 1704. The same number contains the account of the seizure of the plates.

<sup>2</sup>Acts and Res. Prov. Mass. Bay, vol. 8, pp. 431, 432, 708, 709.

and the trial of the "chief contriver and actor," the governor had called the attention of the assembly to the fact that he was obliged to rely upon the common law for the power requisite for the punishment of the forgers of the bills of credit,<sup>1</sup> and it was in response to this suggestion that the first act against counterfeiting the province bills was passed, in 1704.<sup>2</sup> It will be seen that rewards amounting to eighty pounds were offered to secure the conviction of counterfeiters, who, it was well known at that time, had not succeeded in putting out £100 of the counterfeit bills. The earnest desire to protect the circulation did not stop with the payment of this relatively large reward. It was evidently thought that the mere existence of counterfeits might discredit the public bills, and the commissioners before whom the twenty shilling bills were ordered to be brought for inspection were authorized to receive the counterfeits from innocent holders, and exchange them for good bills to the extent of seventy pounds, it having in the meantime been ascertained that the whole amount of counterfeits uttered did not exceed that sum.<sup>3</sup>

This prompt action probably had a deterrent effect upon counterfeiters, but the field was too easily cultivable to remain long fallow. The bills then in use were easily susceptible of denominational alteration.<sup>4</sup> There were no striking peculiarities to distinguish them from each other. Each denomination was independently engraved, so that the spacing of the words and the dis-

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 8, p. 432.

<sup>2</sup> *Ibid.*, vol. 1, p. 556.

<sup>3</sup> Sixty-five pounds which had been taken in for exchange were ordered to be burned in November and subsequently five other bills turned up. Acts and Res. Prov. Mass. Bay, vol. 8, pp. 93, 106, 130, 145, 173. *Ibid.*, vol. 9, Ch. 22, Resolves 1708-9, p. 13. Mass. Court Rec., vol. 8, p. 368.

<sup>4</sup> Two altered bills are shown on Plate 2.

tances between the lines were not exactly alike in any two of them. The main points of difference were to be found in the lettering of the opening words, "This Indented Bill," for which some peculiar form was adopted in each bill. The royal arms of England, which were in every instance to be found in the lower left hand corner, were also presented in different ways, being either absolutely free from external decoration, as was the case with the twenty shilling bill, or surrounded by ornamental work of individual character, as in each of the other denominations. These points of difference were, however, none of them of a striking nature. It required more or less scrutiny to detect them and they did not offer adequate safeguards against alterations. The scroll work on the top of the back of each bill, was the same for all the bills on each plate, and could only have been of use in connection with the indent.

Furthermore the success of work in the nature of altering or imitating the currency was facilitated by the dilapidated condition in which many of the bills were permitted to circulate, and was favored by the lack of scrutiny on the part of the rural population.<sup>1</sup> The first thought seems to have been that some protection against counterfeiting might be derived from "stamps," which were to be put on by "the Company of Stationers who have the sole making of paper in England," and who apparently controlled the stamps proposed to be employed. A proposition to make use of a safe-guard of this nature was submitted in February, 1704-5, and paper was ordered from London of proper size for eight bills a sheet, "with eight separate stamps in every sheet

<sup>1</sup> The author of A letter from a country gentleman at Boston to his friend in the country, Boston, 1740, says, p. 4, that it is "credibly reported that the counterfeited five pound bills pass at the eastward as currant as the true bills, tho' known to be counterfeits."

that may appear in the centre of the bill, each ten ream to have a different stamp." <sup>1</sup> The only mark or stamp on any of these bills, which is to be found among the specimens in existence to-day, is the red monogram of the letters A.R. which appears in 1708 and 1710. <sup>2</sup> This may have been printed in England, but the strength of this conjecture is weakened by the fact that the bills bearing this red stamp had the scroll work on the back also in red. <sup>3</sup>

The proposition for a change in the distinguishing mark upon the bills with every ten reams of paper, discloses on the part of those seeking to introduce obstacles to counterfeiting, a curious tendency to multiply the forms in which the bills were to circulate. Apparently, no thought was given to the difficulties thereby imposed upon the public in recognizing the genuine bills, and no attention was paid to the fact that the counterfeiter could make his selection from any of these forms. The idea seemed to prevail that so long as the government officials had the means of determining what bills were genuine it was not of consequence, perhaps not desirable, that these means should be permanent or should be publicly known. Thus, in 1705, it was proposed that the governor and council might order and make alterations in the true bills of credit, and might appoint a person or persons to endorse or new sign the bills. These persons might put private marks to the bills, when and as

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 8, p. 107.

<sup>2</sup> See Plate 4.

<sup>3</sup> In the Report of the Council of the American Antiquarian Society, October, 1884, J. Hammond Trumbull refers to the interlaced cipher A. R. impressed on the face of the Massachusetts bills of the issue of May 31st, 1710. It may be inferred that Mr. Trumbull associates this cipher with the order given in 1705 for paper bearing different stamps in each ten reams, for he alludes to the fact that Connecticut adopted the same expedient. Proc. Am. Ant. Soc., 1884, p. 289. See Plate 18.

often as they should see occasion, and they were to keep an account of the marks that they should make for the better discovery of any false bills.<sup>1</sup> This extraordinary suggestion seemed to be acceptable to the council, and it was ordered by that body that a bill should be drawn to carry it into effect. The idea of permitting the governor and council to alter the bills was again embodied in a proposition submitted by a committee in 1706, although this time there were to be no private marks. This recommendation was that power should be given the governor and council "in the vacancy of the general assembly, and until the next session thereof, as occasion may require, to order any new mark, stamp, form or number to be made upon the bills; giving public notice thereof to the province by a proclamation."<sup>2</sup> This was favorably received by the council, but rejected by the house. A few days after this report was brought before the assembly, they ordered a plate to be forthwith provided on which the eight several stamps or blazons affixed to the bills of credit were to be engraved. From this plate three thousand impressions were ordered to be printed which were to be distributed among the towns of the province proportionately to their contributions to the taxes. This was to be done it was said, for the better information of her Majesty's good subjects as to the different forms of said stamps and the bills to which they belong. The figure denoting the denomination of the bill was to be placed in the middle of the stamp, in order to discourage ill meaning men from altering and increasing the bills.<sup>3</sup> It is obvious from this that denominational changes had by this time been

<sup>1</sup> Mass. Arch., vol. 101, no. 293.

<sup>2</sup> Acts and Res. Prov. Mass. Bay, vol. 8, p. 639.

<sup>3</sup> *Ibid.*, vol. 8, p. 204.



fraudulently made, which were, however, so crude, that mere familiarity on the part of the public with the general appearance of the various plates would check their circulation. The order was carried out to the extent of printing 1,500 sheets "of the escutcheons or stamps of the eight several sorts of bills of credit,"<sup>1</sup> and the charge for engraving the plate was entered by the province treasurer under the item of "the escutcheon to prevent fraud."<sup>2</sup> The policy then inaugurated that familiarity on the part of the public with the forms of the bills was a better protection than private marks, did not, however, permanently prevail, for in 1708 it was ordered for the better discovery of counterfeit bills, if any there might be, that the committee that signed the bills should furnish the treasurer with an account of the order and method of their proceeding in that affair, that so the treasurer might be the better enabled to detect and find out any false bills.<sup>3</sup> This may possibly refer to the use of different colored ink for the signatures.

In 1707, the committee on bills made a charge for "new graving one of ye plates." Neither the specific amount of the charge, the date when the service was rendered, nor the description of the plate appear, but it was evidently a separate charge from the "escutcheon to prevent fraud."<sup>4</sup> No trace of a plate of this date shows itself among the bills which have survived, but twenty shilling bills were certainly emitted bearing date 1708, as appears from a document in the archives, in which "twenty shilling bills of date 1708, imprinted

<sup>1</sup> Account rendered by the committee on bills, March 17, 1706-7. Acts and Res. Prov. Mass. Bay, vol. 8, p. 640.

<sup>2</sup> *Ibid.*, vol. 8, p. 642.

<sup>3</sup> *Ibid.*, vol. 9, ch. 9, Resolves, 1708-9, p. 10. Mass. Court Rec., vol. 8, p. 360.

<sup>4</sup> Acts and Res. Prov. Mass. Bay, vol. 8, p. 698.

and put into the treasury " are spoken of.<sup>1</sup> The twenty shilling bill was then on the middle plate and associated with it was the forty shilling bill, of which we have a specimen preserved bearing date 1708.<sup>2</sup> It may be surmised that we have in these bills of 1708, traces of the hand which new graved "one of ye plates" in 1707. This conjecture will perhaps be permitted to stand until a bill bearing date 1707 shall turn up.

It was discovered in 1709 that another plate had been counterfeited, and that bills printed therefrom were in circulation. The house upon learning this fact was desirous of imposing the death penalty for counterfeiting, but the council referred the matter to the next session.<sup>3</sup> This was in November, and doubtless the feelings of the representatives were aggravated by the discovery of these counterfeits, because they had in the previous June ordered steps to be taken which they evidently thought would greatly increase the mechanical difficulty of counterfeiting the bills, a vote having been passed on the tenth of that month, "that the thirty thousand pounds of bills of credit directed by the court to be imprinted, be made with the whole scrowle of red inke through the body of the bill the better to prevent counterfeiting."<sup>4</sup> For the purpose of illustrating the operation of this method of preventing counterfeits, the committee which recommended it, submitted a specimen sheet of bills printed from one of the plates, having the proposed red scroll imposed upon the bills as suggested.<sup>5</sup> With lauda-

<sup>1</sup> Mass. Arch., vol. 101, no. 391.

<sup>2</sup> Lenox Library—This 40 s. bill corresponds in all its details with the 40s. bill of 1702, the only change being the substitution of an 8 for the 2 in the date. There is a possibility of its being a counterfeit but this does not diminish the interest of the bill. See Plate 4.

<sup>3</sup> Nov. 15, Mass. Arch., vol. 101, no. 373.

<sup>4</sup> Mass. Arch., vol. 101, no. 360.

<sup>5</sup> See Plate 3.

ble economy they produced this result by making use for a scroll, of the pattern which had previously been printed in black upon the back of the same bills. It consisted of a net work of lines closely interlaced in an intricate manner, and in the specimen sheet it was superimposed upon the face of the bill in such a way as to cover and render somewhat obscure nearly one-half of the reading matter on each bill. Without materially adding to the mechanical difficulty of counterfeiting the bill, the confusion thus introduced must have played into the hands of the counterfeiters. While the order is positive that thirty thousand pounds should be printed with the red scroll upon the bills, and there is nothing in the records to indicate that it was not carried out, still there are evidences that the utter worthlessness of this proceeding as a protection was soon discovered. Indeed, in 1710, the committee to prevent counterfeiting the public bills, recommended that in printing the bills then about to be issued, "there be no red scroll in the body of the bills contained in the small plate."<sup>1</sup>

While considering the various denominations of the bills of the 1702 plates, the fact was alluded to that in 1710 two of the twenty shilling bills were changed on the plates to other denominations. The circumstances under which this step was taken remain to be considered. In 1710, the discovery that one of the twenty shilling bills had again been counterfeited brought the assembly face to face with the knowledge that the circulation of three distinct impressions of bills of this denomination, each varying slightly from the other, tended to facilitate the fraud, or as they themselves stated it, "the cheat was less perceptible and more difficultly

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 1, p. 668.

discovered by reason that there were then several impressions of the twenty shilling bill."

The two twenty shilling bills on the great plate were therefore ordered to be altered by changing their denominations, and the one on the other plate by changing the date to 1710.<sup>1</sup> All 20s. bills of the date of 1702 were ordered to be brought in for exchange and the treasurer was forbidden to pay out any more of them.<sup>2</sup>

The next important step in connection with the plates was the preparation of an entire set in 1711 in which the grouping was arranged strictly according to the numerical sequence of the denominations expressed in shillings. Up to this time this system had not been entirely complied with. The 40s. bill was originally placed upon the middle plate, while the high plate contained two twenties. The various changes in the plates had left them in the following conditions: lowest plate, 2s., 2s. 6d., 3s., 3s. 6d.; middle plate, 5s., 10s., 20s., 40s.; high plate, 4s., 50s., 60s., 100s. In the new plates the denominations on the lowest plate were not disturbed. The middle plate contained the 4s., 5s., 10s. and 20s.; while the 40s., 50s., 60s. and 100s. bills were on the high plate.<sup>3</sup> Nothing is said of the red scroll in connection with the new plates. In the absence of any knowledge concerning these plates, other than that above given relative to the denominations which they contained, we cannot say whether any changes were introduced at this time which tended in any way to thwart

<sup>1</sup> The recommendation of the committee was that a 50s. bill be substituted for one of them and a 4s. bill for the other. Acts and Res. Prov. Mass. Bay, vol. 1, p. 668. The 20s. bill on Plate 4 bears date 1710.

<sup>2</sup> *Ibid.*, vol. 1, p. 666.

<sup>3</sup> Report of committee, Dec. 14, 1711, Mass. Arch., vol. 101, no. 409. These plates were engraved by John Cony.

the counterfeiters. It may be inferred, however, that such was not the case, since in 1713 and 1714, new plates were again prepared in which distinguishing features were introduced for the easy determination of the different denominations.

Prior to the time that the red scroll was ordered there is no direct order on record calling for the use of this color in printing the bills. Items in the accounts rendered in 1704 by the committee for printing bills show that the printer charged for charcoal, blacking and oil, but there is no material specified which could have contributed a red color.<sup>1</sup> The use of red ink upon the face and back of the bills seems to have suggested the possibility of employing different colors for the signatures. The twenty shilling bill of 1710, in the Lenox Library, was signed by three of the committee and the middle signature was in red ink. A system of diverse-colored signatures was then introduced, and in some instances it is evident that the rules under which the colors were used by the signers of the bills were intended to be of an occult nature, so that the true bills could be detected by those in the secret. The counterfeiters being ignorant of these rules might violate them and thus betray

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 8, pp. 386, 440.

The following charges at a later date associate another name beside Cony's with the engraving of the plates and also show the use of red ink in 1735.

To Ingraveing ye small plate.

To Ingraveing ye sume and date,  
on each bill on the grate plate.

To Frankfort Black.

To Red for ye Inke of ye Midl. plate.

To making Varnish and three pts. of Black Ink.

To 1 pot of Red Inke.

The account is signed by Nat Mors.

Mass. Arch., vol. 101, no. 525.



themselves to those who possessed the requisite knowledge.

In November, 1713, discovery was made of the existence of counterfeit ten shilling and three shilling and six pence bills. The further circulation of the true bills was forbidden and all outstanding bills of those denominations were ordered in. The treasurer was authorized to exchange those made off the "true plates" for like sums in other denominations.<sup>1</sup> To aid in the carrying out the foregoing, the committee having the preparation of bills of public credit in charge was enlarged by the addition of a new member, and was instructed to prepare two new plates, each to have four bills engraved thereon, of such denominations as the committee with the treasurer should think to be most convenient. From these new plates they were ordered to print ten thousand pounds of bills, each one of which was required to be signed by "four at least of the committee," and the bills thus printed the treasurer was authorized to exchange for the ten shilling and three shilling and six pence bills which had been ordered in.<sup>2</sup> No specific statement is made in the records at this date of the denominations selected by the committee and treasurer for these two plates, but it appears by the preamble of an act passed in June, 1714, that the two plates were duly prepared by the committee under the authority given the previous year. An additional plate to contain the thirty, forty, sixty and one hundred shilling bills was then ordered to be prepared.<sup>3</sup> In this preamble it is stated that the middle plate contained the twenty, ten, five and three shilling bills. It may

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 1, p. 724.

<sup>2</sup> *Ibid.*, vol. 1, p. 902. This is in the postscript beyond the index.

<sup>3</sup> There is a dilapidated 40 s. bill in the Massachusetts Historical Society's Cabinet printed from this plate. See Plate 7.

be inferred that the additional plate ordered in 1714, was for the purpose of completing the series and that in the exercise of the discretionary power conferred upon them, the committee and the treasurer selected for the plates prepared in 1713, the denominations of twenty shillings and under. The other plate prepared in the year 1713 must therefore have contained bills below three shillings. Through an account of worn and defaced bills unfit for further service, we learn that the following bills of that description were in circulation: one shilling, one shilling and six pence, two shillings and two shillings and six pence.<sup>1</sup> It is evident, therefore, that although the assembly by ordering a new high plate in 1714, restored the old method of designating the plates, the grouping of the bills on the plates was different and new denominations were introduced on the lowest plate.

The act referred to as passed in 1714, was for the purpose of furnishing a new supply of currency, and of forcing the old out of circulation. The 10s. and the 3s. 6d. bills had already been ordered in. All the 50 shilling and 20 shilling bills were also ordered in for exchange. All torn, lined, pasted, or otherwise defaced bills were treated in the same way. £10,000 had been ordered to be prepared in 1713, for these exchanges. £40,000 more were now ordered to be got ready. A fresh currency was thus to be furnished the province, and as a means of protecting it from some of the causes of degradation of that which was then in circulation it was ordered that none of the new bills should be pasted, lined or covered on the back.<sup>2</sup> The circulation of bills so treated was

<sup>1</sup> Mass. Arch., vol. 101, no. 514.

<sup>2</sup> The condition of the bills while in circulation was described by an English traveller who was much impressed by it. He was speak-

positively forbidden. There still remained the counterfeit and altered bills to be considered. The assembly had in 1706 redeemed the counterfeits. 'They made no promises in 1714, but ordered all such bills to be brought in and deposited in the treasurer's hands, and instructions were given that the names of the owners of the bills thus deposited should be indorsed on them, so that the court might take such order as it should think fit.'

The committee to sign these bills consisted of six members, and the practice of requiring four signatures to each bill, which was established in 1713, was continued. Judge Sewall was one of this committee, and he has embodied the system adopted by the committee for the use of different colored inks for signatures, in some mnemonic lines or verses in Latin hexameter which he recorded in his diary.<sup>2</sup>

ing of a later date, after the law above referred to was put in force, but much of what he describes must have applied at this date :

"As to money they have no sort of Coin among 'em, nothing but paper Bills which are Issued by the Governor and Council, but being made current they answer the same end as money among themselves ; and the People in Common had much rather take these bills for any thing they sell than gold or silver, notwithstanding many of them are so miserably fractured, that on passing from one to another they often fall into three or four pieces ; and many of 'em are pinned together in several places, and are so obliterated with their being often handled, that they are difficult to be understood by those that are unused to 'em, but upon application to the Treasury they change 'em without any expence."

An abstract historical account of that part of America called New England. \* \* \* 1740, by Joseph Bennett. Sparks MSS. Harvard College Library, pp. 159, 160.

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 1, pp. 740, 741.

<sup>2</sup> Coll. Mass. Hist. Soc., 5 series, vol. 7, p. 49. Sewall's Diary, vol. 3. July 6, 1715. "Transcribed my three lines to direct me in signing the pound-plate.

Ter niger apparet cui competit ordo secundus

Ter signat rubro qui tertius ordine signat

Ultimus et primus gradiuntur passibus æquis.

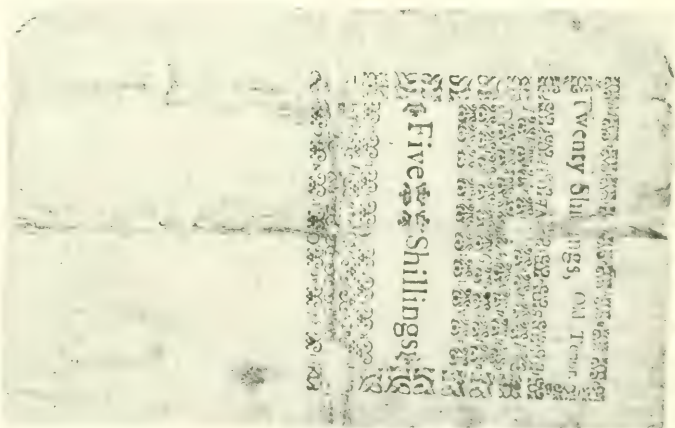
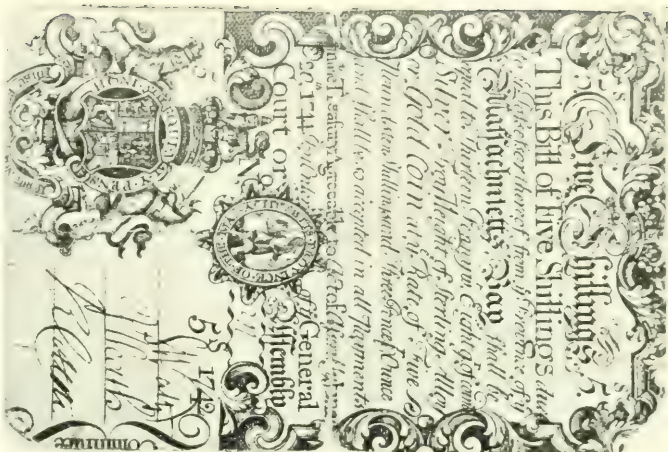
Sent four bills exemplifying it, and 2 *d.* Bill to make it up Forty."

The plate which contained the 20s. bill was probably the pound-

It was in this set of bills that the feature was introduced of enclosing the reading matter of each denomination in a separate and distinct geometrical figure, a protection against denominational alterations which must have proved effective. These plates continued in use so long as old tenor bills were emitted. All impressions from them bore date 1713 or 1714, according to the size of the bill, but it was the custom as successive emissions were thereafter made, to engrave somewhere upon the face of the plate the date of the emission. Thus the bills bore upon their face the record of the use of the plate.

In February, 1717-18, in consequence of the discovery of further counterfeits, among which were the £5 and £3 bills, and it being also observed that the public had neglected to comply with the orders of the government and exchange their bills of the first issue for those printed from the new plates, it was ordered that all bills of public credit, signed by three of the committee, should be brought in for exchange before November 1st, 1718, so that no bills should remain in circulation unless they were signed by four of the committee. After November 1st, 1718, the circulation of bills signed by three only of the committee was absolutely prohibited. The assembly neglected to provide the treasurer with enough bills signed by four of the committee to effect these exchanges, and in the middle of November, 1718, it was estimated that there were still outstanding £15,000, which, for this reason, he had been unable to

plate. It contained also the 10s., 5s. and 3s., making 38s. The Diary reads "and 2s. bill to make it up Forty," the "2*d.* bill" of the published Diary being, either an error of interpretation of the manuscript or a typographical error. For a reading of the mnemonic lines see *Proc. Mass. Hist. Soc.* for December, 1899.



Bill for 5¢, 1744 series. The plate was originally prepared for the 1742 emission. The date 1742 appears over the signatures of the Committee. The silver value and the gold rate are interwoven in the border on the back of the bill. Size, 3¾ in. x 5½ in. Photographed by permission of the Massachusetts Historical Society.





exchange.<sup>1</sup> The time for making exchange was therefore extended until April 1, 1719, after which date the bills signed by three were no longer to be available in payment of private debts, but the treasurer was permitted to receive them from the commissioners of the loan fund until the May session of the court.<sup>2</sup>

In December, 1727, it being found that there were many counterfeit ten shilling bills passing between man and man, whereby honest persons unable to distinguish between the good and the counterfeit bills were liable to be imposed on, it was resolved that from and after the first day of August next coming no person presume in any private payment to put off any ten shilling bills of credit of this province. Provision was made for the exchange of the genuine bills by the treasurer.

The most striking of the characteristics of the second series of old tenor bills would seem to have been the use of special forms within which to enclose the text of the inscriptions of the several denominations. The royal arms of England appeared on each bill in the lower left hand corner and apparently it was the intention that some specific method should be adopted for their representation upon each denomination. This rule was not, however, rigidly enforced. When we compare bills of the same denomination printed from different plates, we find that considerable latitude was allowed the engraver, as to the manner in which he should present the embellishments of the bill.<sup>3</sup> The shilling bill had the words "one shilling" over the top of the truncated pyramid and the designation in pence by numerals twice at the top and twice at the bottom of this figure. On the

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 2, pp. 93, 121, 130.

<sup>2</sup> *Ibid.*, vol. 2, p. 121.

<sup>3</sup> Compare the three one shilling bills given on Plate 5.

shilling plate that was used in 1740, these numerals were obliterated, although a close scrutiny will reveal traces of them.

Each bill of this issue had an ornamental band across the top and separate patterns for these bands were doubtless used for the several denominations. Here again the engraver was allowed great latitude. In three specimens of the shilling bill, evidently from separate plates, while the pattern of this band at the top is obviously the same, the presentation by the engraver is in each instance so individual that it might almost as well have been a different pattern.<sup>1</sup> There were also slight differences in the scroll work on the back of these bills.

The five shilling bill of 1713 had the words, "A Crown," over the top, and on the face read, "This five shilling bill indented." The back of this bill had an elaborate pattern in buff color. The eighteen pence bill had the words, "Eighteen Pence," over the top—its value was defined on the face as one shilling and six pence—and this value was stated in figures at the four corners, as follows: 1s. 6d.<sup>2</sup>

A special emission as a substitute for copper money in making change was authorized in 1722. The several denominations, one penny, two pence and three pence were mere tokens, bearing neither a certificate of indebtedness nor a promise to pay by the province, and being without signature by committee or treasurer. They were printed on parchment, the penny being round, the two pence square, and the three pence hexagonal. The denominational value was printed in numerals and in type on the face of each piece, and the month and year of the emission. The title of the province also appeared

<sup>1</sup> See Plate 5.

<sup>2</sup> See Plate 6.

on each, but was given in an ascending scale of completeness according to the value of the denomination. The penny had only the word "Massachusetts"; the two pence, "Province of the Massachusetts"; and the three pence, "Province of the Massachusetts Bay, N. E." <sup>1</sup>

In February, 1727-28, the committee on bills, for some cause not specified in the order, was directed "to put some plain mark to distinguish the ten shilling bills which shall now be struck off from those already issued." <sup>2</sup>

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 2, p. 243. See Plate 7.

<sup>2</sup> *Ibid.*, vol. 2, p. 486.

## CHAPTER XV.

### THE ENGRAVED PLATES AND THEIR VARIOUS ALTERATIONS.—THE FIRST, SECOND, AND THIRD NEW TENOR, AND THE 1750 BILLS.

The denominations of the first new tenor bills to be issued under the act passed in February, 1736-37, were specifically set forth in the act. They were: ten pence, one shilling and eight pence, three shillings and four pence, six shillings and eight pence, ten shillings, twenty shillings, thirty shillings, and forty shillings. The unit upon which this scale was constructed was the supposed normal value of the ounce of silver, 6s. 8d., the small denominations being the eighth, quarter and half of that unit, while the larger were represented by the multiples, one and one-half, three, four and one-half, and six. As was the case with the old tenor bills, the task of preparing suitable stamps devolved upon the governor and council. The bills were to be signed by a committee, the number of which was not designated, but three signatures were required for each bill.<sup>1</sup> The bills were not required to be indented.

In all previous emissions the height of the bill had exceeded the width. A single specimen of this set of bills is to be found in the cabinet of the Massachusetts Historical Society.<sup>2</sup> Its shape indicates a change in shape for the bills of this emission. As is the case with our modern bank notes the width is considerably in excess of the height. The engraving of the plate is ex-

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 2, p. 818.

<sup>2</sup> See Plate 8.



cellent. The number is in the upper left hand corner. The value in pence is expressed in letters upon a species of escutcheon in the middle of the top, immediately beneath which, to the right, the same is again given, this time in figures, and in shillings and pence. The Indian from the province seal, bearing a quiver upon his back and a bow and arrow in either hand, appears upon a sort of shield in the right hand upper corner, beneath which upon a ribbon folded back and overlapping itself are the words, "Province of the Massachusetts." A scroll work device about half an inch wide runs from top to bottom on the left hand side of the bill, and on the right hand side there is a border composed of a dark and a light line parallel to each other, which is interposed between the reading matter and the edge of the bill. The signatures of three of the committee follow each other in sequence on the lowest line of the bill, the word "Committee" being in the middle at the bottom. The value is also printed in bold letters on the back of the bill and this is surrounded by a border made up of emblems from a printer's font. To the right and to the left respectively, of the inscribed value, are the letters "G" and "K," in equally bold type, so placed that they form a part of the border above mentioned. Their presence doubtless has some signification. To the right, beyond the border and at the edge was a coarse engraving, which in the bill in question appears only in part.

On the back of the bill, beneath the words expressing the value, will be found "Massachusetts Bay, New England," and beneath that, intermingled with the emblems which constitute the border at the bottom, the figures, "1737." The border at the top is composed of three lines, and carries, interwoven in its parts, the words, "ONE OUNCE COINED SILVER, TROY WEIGHT,

STERLING ALLOY, EIGHTY PENCE." The letters composing these words are broken into lines, the length of which is determined by the several sides of the bill. The first line is easily read with the bill in a normal position, but to follow the inscription the bill must be turned to the left, then upside down, then again to the left and finally restored to its first position.

July 2, 1737, it was ordered that the committee already appointed for the making of bills of credit of the new tenor should take effectual care that there should be printed thirty thousand bills of each of the following denominations: one penny, two pence, three pence, four pence, five pence and six pence, the total amount of which would be £2625. The figures and inscriptions for the face of the bills were prescribed by the act and are to be found delineated in the statute books.<sup>1</sup>

Each bill bore upon its face in prominent type the denomination. This was followed by the inscription, "Due from the province of the Massachusetts Bay, in silver money at six shillings and eight pence per ounce, according to law, 1737." Each bill had some special design for the border surrounding the text of the inscription. These were evidently printed from wood cuts. Upon all except the bill for one penny, means were provided for determining the denomination through numerals or printed matter incorporated in the embellishments of the border. None of these bills bears any signature. Two denominational values, one corresponding with that given on the face of the bill, and one expressed in old tenor, were printed in common type upon the back, the whole being surrounded by an improvised border made up from materials at command of an ordinary printing office. See Plate 10.

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 2, pp. 884, 885. For a page of the contemporary laws, see Plate 9.

The denominations of the second new tenor bills, as well as their grouping upon the plates, were fixed by the act first authorizing their emission, which was passed in January, 1741-42. There were to be three plates, the first containing the bills for forty, thirty, twenty and fifteen shillings; the second, the ten, five, four and three; the third, the two shillings and one shilling and the bills for eight, six, four and two pence. The stamps were to be projected and directed by the governor and council, and the committee was directed and empowered to print and sign these bills, but nothing was said in the act as to the number of signatures required on each bill.<sup>1</sup>

January 14, 1742-43, the following alterations were ordered in the plates: In the second plate the four shillings bill to be altered to half a crown, and the three shillings bill to fifteen pence; in the third plate, the two shillings bill to be altered to nine pence, and the eight pence bill to three pence.<sup>2</sup> The engraving of these plates is of a high order of excellence and rivals the best hand work that can be produced to-day. In their preparation the engraver reverted to the shape which had been in use prior to 1737, the height of the

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 2, p. 1077. There is, however, in the Archives a house resolve of date of April 9, 1742, to the effect that the bills of credit of the present emission to be struck from the middle plate shall be signed by three of the committee. Mass. Arch., vol. 102, no. 220. The neglect as to the other plates was remedied by a vote the passage of which took place according to the record, January 11, 1742-43, when it was ordered that the committee to be chosen to sign the bills should consist of eight. The bills of the first plate were to be signed by six. Those of the second by three. Those of the third by two. Mass. Court Rec. vol. 17-3 p. 599. This volume of the Records is made up of copies. The date probably should be 1741-42. It also appears that an attempt was made to call in old bills, June 2, 1742, when a committee was appointed to report some proper method for calling in and changing the outstanding bills for bills of the latest form and tenor. Mass. Arch., vol. 102, no. 242.

<sup>2</sup> Acts and Res. Mass. Bay, vol. 3, p. 68. See bill for 3*d.*, Plate 12.

bills being greater than the width in about the same proportion as in the early series.<sup>1</sup> The bills of the second plate were considerably larger than those of the third, and it may be inferred that this distinguishing feature was carried through the series and applied to the bills upon the first plate also. The general appearance of the engraving was distinct for the different plates, although the characteristics of the third plate were perhaps most capable of individual variation for the several denominations. It seems quite clear that when these designs were accepted they were thought to have solved the problem of what was essential for a paper currency, for we find that with the variations of which they were easily susceptible, they were made use of in New Hampshire and in Rhode Island, and when a new form of bill was adopted in Massachusetts in 1744, these plates were continued in use, the inscription being altered to meet the requirements of the new form. Owing to the small number of specimens of these bills which have been preserved, most of our students, and indeed many of our collectors, have only been familiar with the miserable temporary subterfuges for a paper currency which were emitted at a later date. To such, the high grade of this work will be a revelation. It would seem, indeed, as if our engravers might with advantage study some of the devices embodied in these designs.

The description of the bills of this emission will necessarily be limited to specimens impressed from the second and third plates, since no example of those upon the first plate has up to this time been met with by the writer. In the second plate<sup>2</sup> the reading matter of the

<sup>1</sup> Cf. Plate II.

<sup>2</sup> Cf. Plate II.

bill was surrounded by an elaborate ornamental border, about half an inch in depth, the general features of which are very similar in the different denominations, although a close examination shows that each denomination has an individual and characteristic pattern of its own. The Indian of the province seal, surrounded by the inscription, "Province of the Massachusetts," was introduced at the center of the bottom of this pattern on an escutcheon, on each of the bills, but the details of the method by which this was done were different in every case, nor was the engraver bound to any particular attitude for the Indian. Beneath the reading matter on the left, the royal arms of Great Britain were engraved. Immediately under the ornamental border of the reading matter on each side, the denomination of the bill was given in numerals, and in addition, on the right, was the date of the year, 1742, while the space beneath to the right of the coat of arms was reserved for the signatures of the committee.

The value in old tenor was printed on the back, the same being surrounded with a border made up from a printer's font, in which the words "Massachusetts Bay, N. E." can be picked out. Beneath this the face value in new tenor was given, and this again was surrounded with a similar border which contains the value of the bill stated in penny-weights of silver and the equivalent rate per ounce of gold. To follow the inscription requires patience, as the method of the composer was not logical and the different borders were not alike in their composition.

The several denominations on the third plate<sup>1</sup> were distinguished from each other by the individual character of the geometric figure within which the text of the

<sup>1</sup> Cf. Plates 12-14.



inscription was enclosed. The general effect of the ornamental engraving outside these borders was such that at a casual glance the observer could identify the plates from which the bill was impressed. Closer inspection discloses the fact that each denomination bore distinct and characteristic features. The royal arms of Great Britain occupied the lower left-hand corner, while the lower right-hand corner was devoted to what was evidently intended as a representation of the province seal. In the middle of each bill, at the top, was a crown surmounted by a lion, and running through the ornamental work of that portion of the bill was a ribbon bearing the words, "Honi soit qui mal y pense." This motto was interwoven and worked through the ornamental pattern in such a way that, although the same feature was repeated in every bill, yet upon examination it will be seen that no two of the bills closely resemble each other. The signatures of the committee were to be found between the two seals at the bottom of the bill, the abbreviation for committee, "Comm", being placed at the lower edge of the plate beneath the space reserved for signatures. This was separated from the signatures by a bracket, and immediately over the bracket was the date, 1742, in Arabic numerals.

The old tenor value was printed on the back of these bills, the same being surrounded with a border such as could be composed in an ordinary printing office, with the signs and emblems usually to be found in a font. The new tenor value in Troy weight silver, in pence, and the equivalent gold rate were also printed on the back, and around the text of the inscription were borders imprinted from rude wood cuts. Some of these can be readily identified as those prepared for the small money in 1737.

So far as we can judge from the specimens now to be seen, the protection against raising denominations which was first applied in 1713, namely, enclosing the reading matter in a specific figure adopted exclusively for that denomination, was abandoned in this series except upon the third plate. So long as this rule was rigidly applied, an observer after he had familiarized himself with the outlines of the several enclosing figures of the bills, could determine at a glance what the denomination ought to be, but in the case of this series, the alterations already referred to, as authorized in January, 1742-43, which violated the rule by placing in circulation more than one denomination for a particular figure, must have undermined confidence in the test even in its limited application to the single plate of this series, on which the device was put in force.

On the 20th of June, 1744, the third and last form of the new tenor bills was adopted, and a committee which was not then named but was to be appointed by the court, was empowered and directed to cause a certain sum in these bills to be printed and to sign and deliver them to the treasurer. Unlike the previous acts containing a new form of bill, there is no provision made for the preparation of the stamps for the new bills, nor any rule laid down for the number of signatures upon each bill. The denominations prescribed were limited to forty shillings, thirty shillings, twenty shillings and fifteen shillings.<sup>1</sup>

The statement has already been made that the plates prepared in 1742 were made use of for the emissions of 1744. The existence of bills of the second and third plates having the silver value and the gold rate stated in accordance with the act of 1744, and bearing on the

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 3, p. 148.

face the inscription "Agreeable to Act of Assembly, June 20th, 1744", shows that the committee actually exercised powers in the emission of notes not specifically authorized in the original act. Allusions in the house journal to emissions from the third plate under date of July 20 and November 1, 1744, show that the assembly approved of these acts.<sup>1</sup> In the description of the 1742 bills it was stated that they not only bore the date of the act of emission in the text of the bill, but that the date of the issue, 1742, was also given in connection with the signatures of the committee. The change of the text required for the use of the plates under the new act necessarily brought with it the alteration of the first of these dates, but the second was permitted to stand, so that each specimen of this emission bears the date 1744 in the text and 1742 underneath.<sup>2</sup> The specimens upon which the foregoing conclusions are based are from the second and third plates. The inference would be strong in any event, that the first plate of the 1742 bills was also made use of in 1744, and this is made more probable by the fact that no orders were given in the act of emission to the committee to prepare any new plates. Douglass, in an obscure note, comes to our relief and states that, to save the charge of new plates in June, 1744, the necessary changes were made upon the old plates.<sup>3</sup>

<sup>1</sup> Attention has been called to the omission in the act to define the number of signatures requisite for a bill. The rule in force in 1743 appears to have been regarded as still in force, just as the power of the committee to use any of the 1742 plates seems to have been unquestioned. June 25, 1744, the house journal contains an order authorizing an emission with four signatures only, "there being haste."

<sup>2</sup> Cf. Plates 12-16.

<sup>3</sup> Douglass's meaning is not quite clear until we take into consideration the fact that the 1742 emission was based upon silver at 6s. 8d per ounce, while the 1744 emission was based upon a rate of 7s. 6d.

The committee appointed in 1749 to prepare a bill for restraining the currency of half pence and farthings; and coined silver and gold, at any higher rate than in proportion to milled dollars at six shillings; and to consider some method for providing change, reported January 27, 1749-50,<sup>1</sup> that there was an immediate necessity for the appointment of a committee, which should be impowered and directed to cause to be struck off and signed, as soon as might be, small bills of the following denominations, viz.: one quarter dollar, eighteen pence lawful money of Massachusetts; one-eighth of a dollar or ninepence; one twelfth of a dollar or six pence; one sixteenth of a dollar or four pence half penny; one twenty-fourth of a dollar or three pence, and one seventy-second of a dollar, or one penny.<sup>2</sup> The treasurer was to reserve a fund of silver adequate for the redemption of the bills issued. Bills of this description were in the course of events issued. Two signatures were required for those of 18*d.* and 9*d.*, and one only for the smaller bills.<sup>3</sup> Hutchinson says with regard to them, that only a small part of those which were prepared were issued, the reason apparently being that "scarcely any person would receive them in payment, choosing rather a base coin imported from Spain, called

per ounce. After calling attention to the fact that the assembly had by legislation attempted to say that bills promising the possessor different values should be equal to each other, he goes on to say: "In the same kind of impositions, used by Lewis XIV, of France, who by recoinages from time to time miniorated his money, at length finding his people reduced to insensible dupes, he saved the charge of recoinage, and uttered the same coin with only some little mark or stamp, at a further depreciated value; in June, 1744, to save the charge of new plates, we miniorated the value of emissions of Nov., 1741, by a few dashes upon the same plate." A summary, historical and political, etc., etc., vol. 1, pp. 359, 360, note.

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 3, p. 507.

<sup>2</sup> Cf. Plate 17.

<sup>3</sup> Mass. Bay House Journal, Jan. 27, 1749-50.

pistorines, at twenty per cent. more than the intrinsic value."<sup>1</sup>

Although these bills were emitted for the purpose of aiding in the process of redemption, still they temporarily added to the confusion of the situation. The outstanding circulation which was then being withdrawn was composed mainly of old tenor and of second and third new tenor bills. Of the old tenor bills there were twelve denominations on the last set of plates; of the second new tenor, eighteen; of the third new tenor there were fourteen denominations. To these forty-four varieties six more were added by the action of this committee, thus bringing the number of different bills then in actual circulation up to fifty. The foregoing estimate takes no account of the different province bills dated prior to 1713, thirty-one varieties in all, nor of the eight denominations emitted in 1737. The three tokens in 1722, and the six varieties of small money emitted in 1737, are also dropped from consideration. If the statute ordering in the bills signed by three only of the committee was absolutely enforced, there could have been none of the earlier emissions extant, but if by any chance representatives of these different varieties had eluded observation, it would carry the number of distinct impressions still in circulation up to ninety-eight. Add to these the eight varieties of the colony bills, of which there were some still lying in pocket-books and hidden receptacles, and we can see that the committee appointed to supervise the redemption of the public bills might have had submitted to them over one hundred different varieties.<sup>2</sup>

<sup>1</sup> History of Massachusetts, (ed. 1795), vol. 3, p. 9.

<sup>2</sup> Hutchinson says: "I saw a five shilling bill which had been issued in 1690, and was remaining in 1749, and was then equal to eight pence only in lawful money, and so retained but about one-eighth of its original value." History of Massachusetts (ed. 1795), vol. 1, p. 357.



## CHAPTER XVI.

### WHERE SPECIMENS OF THE MASSACHUSETTS BILLS ARE PRESERVED.

The description of the engraved plates heretofore given has disclosed the places of deposit of the more important of the bills upon which that description was based. It will be seen that the greater part of them are in the cabinets of the Essex Institute, the Massachusetts Historical Society, the Library of Harvard University, and the Lenox Library at New York. It is reasonable to suppose that there are many more in the hands of private collectors, but it is not an easy matter to find out where such collections are, nor is it possible when they are discovered to ascertain in all cases what they contain. Several of them which promised returns for examination were found to be deposited in fire proof vaults where they were inaccessible, and in the case of some of those which were accessible it was not possible to arrive at satisfactory conclusions as to their contents, through lack of either catalogue or such classification as would relieve extensive search. The collections of Mr. William S. Appleton, of Boston, and Mr. Nathaniel Paine, of Worcester, were kindly thrown open to my inspection, and each of them furnished information on the subject under investigation. The valuable collection made by the late Hon. Mellen Chamberlain has also contributed to this study. It was deposited in the Boston Public Library by Judge Chamberlain in his lifetime and has now become the property of the city through bequest. Through the kindness of its owner my attention was called to a bill

which he had seen in the collection and he gave me permission to have it photographed. Since then other bills have been found there, concerning which something will be said hereafter.

There were probably at one time numerous specimens of defective bills in the archives, and of counterfeit or altered bills in the Suffolk files. In the one case they were, perhaps, attached to petitions for relief, and in the other they were deposited as evidence in criminal proceedings. One such fragment of a bill, and one impression from the middle plate attached to a committee report, both in the archives, cover the extent of the discoveries in these two great collections.

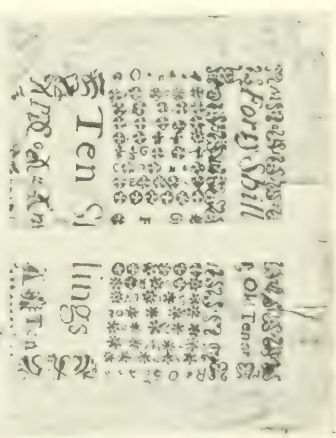
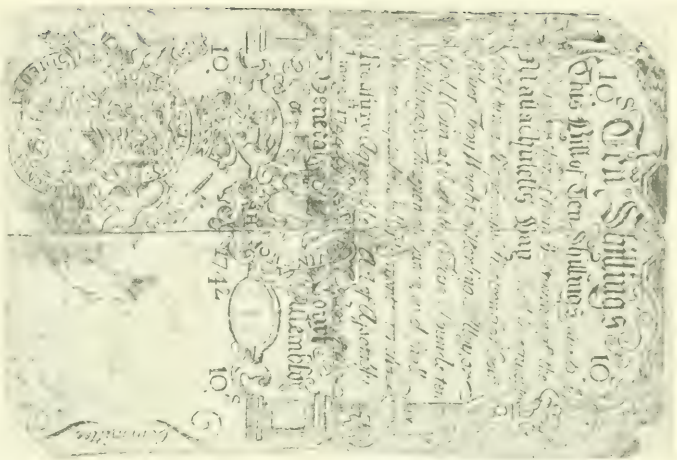
Notwithstanding the fact that the place of deposit of the more important of the bills hereinbefore described has been indicated, it was not possible in treating the special subject then under consideration to give lists of the bills in the separate collections nor to point out all particulars of interest connected with the individual specimens. Knowledge upon these points may prove useful for future investigators of this subject.

The collection of the Essex Institute at Salem contains a 5*s.* colony bill, bearing date December 10, 1690; a 1*s.* bill bearing date 1713; a 7*s.* New Hampshire merchants' note of 1734; 1*d.*, 3*d.* and 5*d.* bills of the emission of fractional currency in 1737; a 5*s.* bill of the Silver Bank of 1740; a 3*d.* bill of the Ipswich or Essex County land bank of 1741, and a 2*d.* bill of 1744.

The 5*s.* colony bill is the oldest bill that I have seen.<sup>1</sup> It happens that among the specimens of the early bills, especially those emitted prior to 1713, there are several which are either defective, altered, or counterfeit. They may have been taken from court

<sup>1</sup> Cf. Plate I.

# PLATE 16.



Bill for 10s. 17 1/2, apparently a counterfeited. The engraving is inferior. The emblems composing the border on the back are not uniform in size and shape. The legend as to silver value and gold rate cannot be traced in the border on the back of the bill. Size 3 1/4 in. x 5 1/2 in. Photographed by permission of the Massachusetts Historical Society.



files, or if they were found among private papers they probably owe their preservation to the fact that the owner had scruples about passing them. Although we have no other colony bill of this denomination with which to compare this 5s. bill in order to determine whether it belongs to this class, there is no reason to doubt its genuineness. The impression is evidently from the true 5s. plate of the first series and the signatures are not open to question.

The 1s. bill, printed from the designs adopted in 1713, and bearing date that year, was apparently emitted in 1740. Shilling bills of this series are to be found in each of the large collections mentioned above, and all of them were actually emitted at a much later date than 1713. The plate from which this particular bill was printed bears the following dates, in addition to the date in the text of the bill: 1714, 1718, 1719, 1721, 1722, 1723, 1726, 1727, 1731, 1735, 1736, 1738, and 1740.<sup>1</sup> It has only two signatures and there is no evidence that it ever had more. The old tenor bills originally were required to have three signatures of the committee. After 1714, four were required. Unless, therefore, there was some special relaxation from the rule imposed by the act of 1714, this bill was not entitled to circulate.

The 7s. bill of the New Hampshire merchants, emitted in 1734, is not, perhaps, entitled to specific recognition in a list which does not pretend to include emissions from other governments than Massachusetts Bay. New Hampshire was, however, at that time, under the same governor as Massachusetts Bay, and the steps then taken by the merchants of Portsmouth form a part of

<sup>1</sup> Cf. Plate 5.



the contemporaneous history of the experiments to supply a currency based upon private credit. The New Hampshire merchants' notes have therefore the same interest for us as the bills based upon private credit which were emitted in Connecticut and in Massachusetts Bay. The specimen in possession of the Essex Institute is in a good state of preservation.

The three bills, of the fractional currency of 1737, are the only representatives of this emission that I have met with. They were not actually needed in order to study the designs of the wood cuts prepared for the several denominations of this emission, for impressions evidently taken from the original wood cuts are preserved in contemporary publications of the act authorizing the emission. The currency itself is, of course, of much greater interest than the page of a law book.<sup>1</sup>

The 5s. bill of the silver bank in this collection is the only bill emitted by this company that I have met with. It is known, however, that other bills of this bank were in existence a few years ago and it is a fair presumption that they have been carefully preserved to the present time.<sup>2</sup> This particular specimen is in good condition.

The same cannot be said of the bill of the Ipswich, or Essex County land bank, of 1741. This is badly mutilated, and although every effort has been made to repair the damage which it has suffered, it is still in wretched condition.<sup>3</sup>

<sup>1</sup>They are also reproduced in the Acts and Res. Prov. Mass. Bay, vol. 2, pp. 884, 885. Cf. Plates 9 and 10.

<sup>2</sup>N. E. Hist. and Gen. Reg., 1860, pp. 263, 4.

<sup>3</sup>Since this chapter was written a friend, Mr. Walter Deane, of Cambridge, brought me for inspection a 2s. bill of this bank, in a good state of preservation. It had been in his possession for a number of years, but he had never been able to ascertain just what it was. He

The bill for 2*d.*, of date of 1744, is in fair condition. If we were compelled to rely upon it for our knowledge of the bills of the third plate of this emission we could form a fairly good estimate of the style of engraving employed. Fortunately, however, there are other bills of this series elsewhere.

By far the largest and most valuable collection of this currency that I have examined is that of the Massachusetts Historical Society. It contains a colony bill bearing date February 3, 1690, purporting to be for 20*s.*;<sup>1</sup> a province bill dated November 21, 1702, purporting to be for 10*s.*;<sup>2</sup> two of the shilling bills of the 1713 series; a bill for 18*d.* of the same series; a 2*s.* bill of the same series; two 5*s.* bills of the same series; a 40*s.* bill of May, 1714;<sup>3</sup> a set of the parchment tokens, for 1*d.*, 2*d.*, and 3*d.*, emitted in June, 1722; two of the Boston merchants' notes of 1733, one for 1*s.*, 6*d.*, and one for 2*s.* 6*d.*; a New Hampshire merchants' note for 10*s.*, 1734; a first new tenor bill for 6*s.* 8*d.*, emitted February, 1736-37; a land bank or manufactory bill for 6*d.*, 1740; an Ipswich or Essex County land bank bill for 1*s.*, 1741; a 3*s.* bill of the second new tenor series, 1741-42;<sup>4</sup> and the following bills of the last tenor, 1744: three 2*d.*, one 4*d.*, two 6*d.*, one 9*d.*, one 1*s.*, one 5*s.*,<sup>5</sup> and one 10*s.*<sup>6</sup>

The oldest specimen in this collection is the colony bill bearing date February 3, 1690. The date is old style, and the bill was actually emitted a few weeks later than the one in the Essex Institute. It purports to be a twenty shilling bill, but the merest perfunctory

kindly left it with me in consideration of my interest in the subject. It is now in the Essex Institute.

<sup>1</sup> Cf. Plate 1.

<sup>4</sup> Cf. Plate 11.

<sup>2</sup> Cf. Plate 2.

<sup>5</sup> Cf. Plate 15.

<sup>3</sup> Cf. Plate 7.

<sup>6</sup> Cf. Plate 16.

examination will disclose the fact that it has been altered.<sup>1</sup> The signs of erasure are plainly visible upon its face, and the difference between the printer's ink used in the body of the bill and the writing ink employed for the purpose of making the changes involved in the alteration is plainly to be distinguished. Perhaps time has made this contrast more striking than it originally was. If the person who altered the denomination had performed his work more skilfully, and left no trace of his handiwork, he would still have been betrayed by the date of the bill, for we have in the archives a certificate over the signature of a clerk to the province treasurer, to the effect that there were no twenty shilling bills emitted bearing date February 3, 1690.<sup>2</sup> Through the same document we learn that many of the 2s. bills were altered to 10s., while the 2s. 6d. bills were raised to 20s. A careful examination of the spacing of the bill now filled in with the letters inserted with pen and ink, shows that it must originally have been for 2s. 6d.

The bill in this collection bearing date November 21, 1702, and purporting to be a 10s. bill, is also an altered bill.<sup>3</sup> The impression can be easily identified through the script letters of the opening phrase "This Indented Bill," and the escutcheon and seal of England in the lower left hand corner, as that of the design which was adopted for the 5s. bill.<sup>4</sup> The only change made by the

<sup>1</sup> Cf. Plate 1.

<sup>2</sup> Mass. Arch., vol. 101, no. 240. This is quoted in Acts and Res. Prov. Mass. Bay, vol. 8, p. 289. The bill in question was pronounced to be an altered bill by Mr. Abner C. Goodell, at a meeting of the Massachusetts Historical Society, June, 1899. Proceedings of the Mass. Hist. Soc., vol. 13, second series, p. 148, note.

<sup>3</sup> Cf. Plate 2.

<sup>4</sup> What that was we know with certainty from the impression from the middle plate preserved in the Mass. Arch., vol. 101, no. 360. See Plate 3.

person who altered the bill was to substitute "ten" for "five" on the text in one place, and put a "10" in place of the "5" at the top of the bill where the denomination was designated in Arabic numerals. The work was rudely performed and the bill as it appears to-day would naturally arouse suspicion. The lack of skill of the person who made these alterations, is, however, far less conspicuous than it would be if the bill were in better condition. It is, as a matter of fact, badly worn and discolored, and has at some time been reinforced by paper pasted on its back. The number and extent of its injuries and defects may have aided its currency.

Of the two 12*d.* or shilling bills of 1713, nothing special need be said. They have all the characteristics of the bill which was described in connection with the Essex Institute.

The bill of the same series for 18*d.* is in good condition except that it is very brown. The indent has been trimmed off.

The 2*s.* bill of 1713 is also quite brown, and the delicate pattern of the scroll work on the back is consequently difficult to distinguish. The second signature on the bill, which was written with red ink, has almost disappeared. The indent of this bill has also been trimmed off.

The most interesting thing in connection with the five shilling bills of 1713, is the pattern on the back, and this is much better defined on the bill in the Harvard collection than on either of these specimens.

The 40*s.* bill of 1714 is badly discolored, and much reduced in size by wear and tear.<sup>1</sup> It is, in fact, in four parts, and the edges of each part are frayed. Notwith-

<sup>1</sup> Cf. Plate 7.

standing the dilapidated condition of the bill, there is enough of it left to determine all the essential particulars as to the designs prepared in 1714 for bills of this denomination. It is the oldest specimen from this set of plates with which I have met. The plate was used in 1716, 1718, 1721, and once thereafter, probably 1722 or 1723, but the date cannot be positively identified. The pattern on the back is quite elaborate.

The set of parchment tokens emitted in 1722 for small change is, of course, interesting, but there is nothing about them requiring special mention in this connection.

The two merchants' notes of 1733 are of especial interest, not only because the success of a bill drawn payable in a specific weight of coined silver furnished an example, of which the province afterwards availed itself in the new tenor bills, but also because each of those notes was made payable on its face in fractional parts, at three distinct periods. This involved the idea of twice calling in each of the outstanding notes, paying off a specified fraction of the amount which it represented, and emitting a new note for the unpaid portion. This cumbrous system was to close with the payment of the last fraction in December, 1743. The engraving of the notes is excellent and they are in good condition.

The New Hampshire merchants' note of 1734, has the same claim upon our attention as the one in the Essex Institute. The denomination being for 10s., it adds a new example of the engraved designs for these notes.

The first new tenor bill for 6s. 8d. or 80d. is well preserved. It is the only specimen of this emission with which I have met.<sup>1</sup>

The 6d. manufactory bill, as it is termed on its face,

<sup>1</sup> Cf. Plate 8.



or the bill of the Land Bank of 1740, to give it a title by which it will be more readily recognized, is in excellent condition. Apparently it fell into the hands of some person who realized that it would sometime become an object of interest, for it bears upon its back the following endorsement: "A Land Bank bill reserved, as a specimen of y<sup>e</sup> mad humour among many of y<sup>e</sup> people of this province, 1740." The engraving of the plate is creditable.

The bill of the Ipswich or Essex County land bank is in good condition, and the work of the engraver is of excellent quality. The bill has been injured by the manner in which it has been cancelled. Each of the four signatures which it bears has been so effectively crossed out that the underlying names are illegible. This bill is for one shilling and is numbered 739,568. It seems hardly probable that a company of which so little is known could have emitted so large a sum as would be indicated by this high number.

The 3s. province bill of the 1742 series is fortunately in good condition and furnishes an excellent example of the high order of skill secured for engraving the plates. It is the only specimen of the bills actually emitted in 1742 that I have seen.<sup>1</sup>

The 10s. bill of 1744 is dirty and not in the best of condition.<sup>2</sup> Perhaps this was intentionally brought about to conceal its defects, for the rudeness of the engraving and the wretched character of the printing on the back, readily lead to the conclusion that the bill is a counterfeit. The design may be accepted, however, as probably the one employed for the 10s. bills of the 1742 and 1744 emissions.

<sup>1</sup> Cf. Plate 11.

<sup>2</sup> Cf. Plate 16.

The 5*s.* bill of 1744 is in fairly good condition and is well worthy of study for the great skill shown by the engraver.<sup>1</sup>

The several specimens of bills from the third plate of the 1744 series furnish an excellent opportunity for studying the skill with which the engraver varied his designs in this series, while preserving at the same time the general features characteristic of the series. It will be noted, however, that the bill for nine pence was originally designed for two shillings and was ordered to be altered January 14, 1742-43.<sup>2</sup>

The collection of bills in the library of Harvard University, contains a 1*s.* bill of 1713; a 5*s.* bill of the same series;<sup>3</sup> a bill for 18*d.* of the same series;<sup>4</sup> a set of the parchment tokens for 1*d.*, 2*d.*, and 3*d.*, 1722;<sup>5</sup> a 2*d.* and a 6*d.* of 1744, and a bill for a twenty-fourth of a dollar, or three pence, emitted in 1750.<sup>6</sup> After what has already been said, the only bills in this collection which call for special mention are the 5*s.* and the twenty-fourth of a dollar. The former is interesting on account of the perfect condition of the elaborate pattern printed upon the back of the bill. The latter is a representative of the short-lived series put forth in 1750, during the proceedings connected with the resumption of specie payments.

The collection in the Lenox Library contains a 40*s.* bill dated 1708;<sup>7</sup> a 20*s.* bill dated 1710;<sup>8</sup> a 1*s.* bill of

<sup>1</sup> Cf. Plate 15.

<sup>2</sup> Acts and Res. Prov. Mass. Bay, vol. 3, p. 68.

<sup>3</sup> Cf. Plate 5.

<sup>4</sup> Cf. Plate 6.

<sup>5</sup> Cf. Plate 7.

<sup>6</sup> Cf. Plate 17.

<sup>7</sup> Cf. Plate 4.

<sup>8</sup> Cf. Plate 4.

the 1713 series;<sup>1</sup> an Ipswich or Essex County land bank bill for 2s., and the following bills dated 1744: 1s., 9d., 6d., 4d., and 2d.<sup>2</sup>

The 40s. bill of 1708, and the 20s. bill of 1710, are both interesting because they have the red monogram printed across the face. The erasure of some word written in ink at some time between the two upper signatures of the 40s. bill, raises a doubt as to the genuineness of the signatures. The printed bill, if not genuine, is certainly quite up to the standard of other contemporary bills which we recognize as impressed from the true plates.

The 20s. bill, although it bears date 1710, must represent one of the designs prepared in 1702. It differs materially from the 20s. bill, on the middle plate of which we have an impression in the Massachusetts Archives. In the "Act for exchanging the 'Twenty Shilling Bills of Credit," passed in 1710,<sup>3</sup> it is stated that the "variances" between the different 20s. bills were "small" and "not obvious without curious inspection." If we assume that the specimen in the Lenox Library is genuine, of which there seems to be no reasonable doubt, any person who may compare this bill with the 20s. bill of the middle plate will conclude that not much inspection was required to discover that the two were not impressed from the same plate.<sup>4</sup> The opening phrase, "This Indented Bill," is in Roman capitals in one bill, and in script in the other. This was one of the places selected by the engravers for distinctive features for the different denominations. The bill which we are con-

<sup>1</sup> Cf. Plate 5.

<sup>2</sup> Cf. Plates 12-14.

<sup>3</sup> Acts and Res. Prov. Mass. Bay, vol. 1, p. 666.

<sup>4</sup> Compare the 20s. bill on Plate 4 with the 20s. bill on the middle plate, upper right hand corner, Plate 3.

sidering has one other peculiarity, which adds to its interest. The scroll work on the top of the back is printed in red ink.

The impression from the middle plate of the 1702 series of bills which was prepared by the committee to illustrate the effect of the proposed red scroll across the face of the bills may be seen in the Massachusetts Archives.<sup>1</sup> It has been already fully described.<sup>2</sup> It has especial interest for the student not only because we have here the designs and the lettering prepared for four of the bills of this series, but also because it reveals the manner in which they were arranged upon the plates, and shows how the indented stub must have appeared after the bills were cut off. The fragment of a bill referred to as in the same collection, was a small piece of a 20s. bill. It has no mark or sign to indicate the denomination, but is attached to a draft of a resolve, dated in 1704, authorizing the treasurer to exchange the fragment for a 20s. bill. Comparison with the 20s. bill on the middle plate shows that it was not impressed from that plate.<sup>3</sup> As far as it goes it gives a clue to the lettering of one of the 20s. bills on the upper or high plate.

The collection of the late Hon. Mellen Chamberlain now at the Boston Public Library, is a marvel, not only on account of its great extent, but also for the care and skill with which the specimens are mounted. The bill which was shown to me by Judge Chamberlain, purported to be a 40s. bill of the 1702 series.<sup>4</sup> Comparison with the impression from the middle plate in the ar-

<sup>1</sup> Mass. Arch., vol. 101, no. 360; cf. Plate 3.

<sup>2</sup> Cf. p. 281.

<sup>3</sup> Mass. Arch., vol. 101, no. 275. Acts and Res. Prov. Mass. Bay, vol. 8, p. 93.

<sup>4</sup> Cf. Plate 2.

chives<sup>1</sup> shows that the province seal and the lettering of the bill correspond with those of the 5s. bill of that plate, with the exception of the figures and letters which indicate the denomination. These plainly show the work of pen and ink substitution, and careful inspection will show that the work of erasure and change, only partially accomplished, still permits the original letters of the denomination, and the figure 5 to be traced. It would seem as if the 5s. bill of this series must have been particularly susceptible of alteration. We have already seen that beside the altered bill just described, there is one raised to 10s. in the cabinet of the Massachusetts Historical Society.<sup>2</sup> Another of these raised 5s. 1702 bills has been found in the Chamberlain collection. This time the altered denomination is 50s. A third in the same collection has been raised from 5s. to 40s. This last bill belongs to the series issued in 1708, with the date altered from 1702 to that year, and having across its face the red monogram composed of the letters A.R. Mr. Trumbull, in his *First Essays at Banking in New England*, says, that the monogram which was used on the Connecticut bills was more elaborate than that on the Massachusetts bills. There is in the Chamberlain collection, a Connecticut bill bearing this monogram on its face.<sup>3</sup> In the Massachusetts bill the letters of the monogram are delineated in skeleton, all the parts of the letters being made up of two parallel lines separated from each other about one-sixteenth of an inch. In the Connecticut bill the parallel lines are used for the letters in the monogram, but a third line is introduced equidistant between them. This makes the monogram

<sup>1</sup> Cf. Plate 3.

<sup>2</sup> Cf. Plate 2.

<sup>3</sup> Cf. Plate 18.



much more pronounced and a far more conspicuous feature in the bill. The specimen in the Chamberlain collection was a three shilling Connecticut bill of 1709. The Arabic numerals now read 30s., while the text of the bill remains three shillings.

The American Antiquarian Society has in its collection only two of these bills, a 3*d.*, emitted probably in 1743,<sup>1</sup> and a 2*d.* of 1744. It has already been mentioned that the first of these bills is of special interest because the designs upon the plate prepared in 1742 for the 8*d.* bill were in 1743 made use of for a 3*d.* bill. This Society has also an unsigned Ipswich land bank bill.

The New London Society United for Trade and Commerce, is of at least equal interest to us with the New Hampshire company. Perhaps it is entitled to even higher consideration, since it was the first experiment actually made in New England to emit a currency based upon private credit. The Connecticut Historical Society has in its collection a 5*s.* bill emitted in 1732 by the New London Society. The specimen has seen hard usage, but the main features of the bill are fairly well preserved.

Mr. William S. Appleton, of Boston, has a 6*d.* manufactory bill in his collection.<sup>2</sup> It is not quite so perfect as the specimen in the cabinet of the Massachusetts Historical Society, and unfortunately is of the same denomination.

Mr. Nathaniel Paine, of Worcester, has a 1750 bill for one-twelfth of a dollar or six pence.<sup>3</sup> It has but one signature and bears but little resemblance to the bill of the same series in the library of Harvard University.

<sup>1</sup> Cf. Plate 12.

<sup>2</sup> Cf. Plate 10.

<sup>3</sup> Cf. Plate 17.

The special examination heretofore made of the engraved plates brought forth a number of points which are of interest beside the mere designs adopted for the different denominations, and in addition to the peculiar features of the several series. Among these will be recognized the latitude taken by the different engravers in the ornamental work at the top of the shilling bill of 1713; the differences in the 20s. bill of 1702, and the use made by the committees for signing bills of different colored ink. Investigations of points like these depend for their elaboration upon the inspection of a number of different plates, and can only be successfully prosecuted by the study of accessible specimens wherever they may be. Other questions than those which have been discussed in this work, will doubtless arise. Perhaps other collections of these bills may turn up. Whether this be so or not, the above lists of the bills to be found in the collections mentioned will furnish a starting point for the student in determining where he will be able to carry on his work.

## CHAPTER XVII.

### THE EMISSIONS OF THE NEIGHBORING GOVERNMENTS. NEW HAMPSHIRE.

No just interpretation of the movement in the price of silver, when measured in the paper currency of New England, 1710 to 1750, can possibly be made unless consideration be had of the course taken in regard to the emission of bills of public credit by each of the governments which then composed this region. It is not essential that we should make the same minute survey of the field covered by the legislation of the neighboring governments, that has been had of that which comprises the work of the assembly of the province of the Massachusetts Bay, but we are compelled to examine it if we would know where the responsibility rests for the rise in silver which took place between 1725 and 1745. This, as we have seen, was not only disproportionate to, but even in opposition to, the changes in amount of the bills issued by the Massachusetts Bay and outstanding during this period.

Dr. Douglass, in 1739, stated that the paper currency of the four New England colonies was promiscuously the same.<sup>1</sup> This was written before the complications were introduced through the different forms adopted for the new tenor notes, by means of which bills of the same denominations circulated at different values, and practically means that no matter what the circumstances were under which the bills were issued, or by what govern-

<sup>1</sup> A discourse concerning the currencies of the British plantations in America. p. 9-1. In the pagination of this pamphlet the numbers 9 and 10 are repeated. This is page 9-1.

ment, they circulated side by side, upon an equality, provided the forms were identical.<sup>1</sup>

We have already seen that they were not entitled to do so if intelligent discrimination had been applied to the conditions under which the emissions were made by the different governments, but there is abundant evidence that within the limitation above given, viz.: that the forms of the bills should be identical, this was practically the case.<sup>2</sup>

New Hampshire alone among the other governments of New England was placed under the same restraints in regard to the issue of bills as those imposed upon the province of the Massachusetts Bay; but the influence of her public bills was for many years too feeble to be entitled to any extended investigation. Dr. Douglass, in his "Discourse concerning the Currencies, etc.,"<sup>3</sup> disposes

<sup>1</sup>This proviso must be borne in mind. The same author writing two years later said: "We have in Massachusetts public bills of four provinces at 29s. an oz. of silver, new tenor of Massachusetts at 6s. 8d., but current at 9s. 8d. oz. of silver, Connecticut new tenor at 8s., and Rhode Island new tenor at 6s. 9d. \* \* " From this it may be inferred that all the old tenor bills of the several governments, being alike in form, circulated at the same value; but the new tenor bills, having different ratings for the value of the ounce of silver expressed therein, circulated at their respective ratings, with the exception that the Massachusetts bills were at a discount of about 31 per cent.

<sup>2</sup>In 1752, Roger Sherman, under the pseudonym of Philoeunomos, published a pamphlet of which the only copy known to have survived is in the hands of Hon. G. F. Hoar. A typewritten copy of this was in the Bancroft Library and is now in the Lenox Library. I am indebted to Mr. Wilberforce Eames for a manuscript copy of the pamphlet. The author says on page 3, that some people "are inclined to think that bills of credit on the neighboring governments ought to be a legal tender in payments in this colony for all debts due by book and otherwise where there is no special contract \* \* ." Again, on page 4, he says: "The debtor says that bills of credit on the neighboring governments have for many years passed promiscuously with bills of credit on this colony as money in all payments (except special contracts) \* \* ."

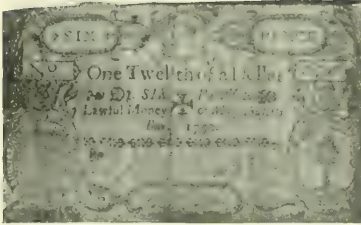
<sup>3</sup>In the pagination of this pamphlet the numbers 9 and 10 are repeated. This is page 9-1.

of this province in the following words: "New Hampshire (too diminutive for a separate province, of small trade and credit) their public bills are so much counterfeited they scarce obtain a currency, hence it is (the governor's instruction is also a bar), that at present their outstanding bills of public credit, some on funds of taxes, some on loan, do not exceed £12,000, gradually to be cancelled by December, 1742. Their ordinary charge of government is about £1,500 New England currency per annum." The same writer estimated the annual expenses of the province of the Massachusetts Bay at that time at £40,000 New England currency. New Hampshire, apparently, had at that time eight times the amount of the annual expenses of her government outstanding in public bills, and Massachusetts had out at the same time a little over seven times the amount above stated as the annual expense of her government. Preponderant as was the influence of the more important province, the emissions of the smaller government became at a later date of enough importance to contribute perceptibly towards the depreciation of the currency. Shirley writing in 1743, and referring probably to an emission of £25,000, new tenor, then pending, said: "The exchange between this province and London will, I expect, upon the present New Hampshire emission rise twenty or thirty per cent higher." This condition of affairs had only been reached by slow and, at the outset, reluctant footsteps. The disadvantages under which the province of New Hampshire labored in its financial affairs are illustrated by the report of the treasurer to the council in 1705, at a time when the amount annually allowed the governor did not exceed £100, to the effect that "the money in specie received in the Treasury did not amount to the Governor's salary."<sup>1</sup>

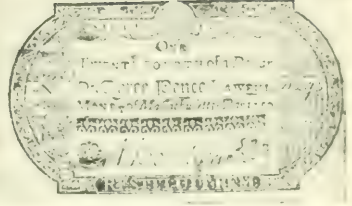
<sup>1</sup> New Hampshire Provincial Papers, vol. 3, p. 318.



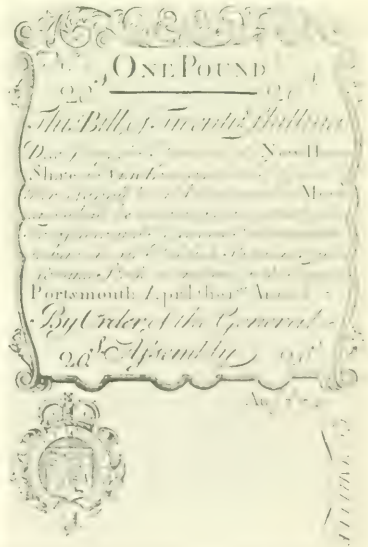
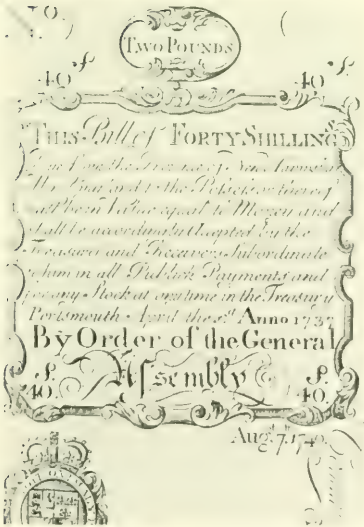
PLATE 17.



6d., 1750. Photographed by permission of the owner, Mr. Nathaniel Paine of Worcester, Mass. Size,  $3\frac{1}{4}$  in. x 2 in.



3d., 1750. Photographed by permission of the Library of Harvard University. Size,  $3\frac{1}{4}$  in. x 2 in.



Impressions from the plate prepared for the New Hampshire currency in April, 1737, and again used in August, 1740. Photographed by permission of the Essex Institute.



Towards the end of 1709, the government found itself compelled to resort to paper money, but, even then, the first thought of the assembly was that it would be better to borrow from the province of the Massachusetts Bay than to risk their own credit. A committee was sent to Boston to obtain leave of the government there to impress and perfect four thousand pounds in bills and to sign the same, "unless," as the resolve conferring this authority went on to say, "which we rather desire, they can obtain of the government of the Massachusetts to lend us the said sum of four thousand pounds of their bills, and take security upon our fund \* \* \*."

The aid of the printing press having thus been invoked for the purpose of meeting the debts of the province, the career of New Hampshire was in close imitation of its more powerful neighbor. A five per cent. allowance on public bills, when received by the treasurer, was sometimes allowed, but the policy of the province in this respect was changeable.<sup>1</sup>

The manner in which alternative authority to print or borrow was conferred upon the committee having in charge the preparation of the first emission of public bills will, perhaps, explain the absence from the records of the form of the bill. The committee adopted the same phraseology as that which was in use in Massachusetts. For some reason there was an apparent necessity for printing in advance a supply of bills for future emissions, and we find that many of the original resolves or votes of the assembly bearing upon the emission of public bills were simply orders to print. The printing having been accomplished, the bills were stored in blank

<sup>1</sup> Allowed 1710, New Hampshire Provincial Papers, vol. 3, p. 430; abandoned 1711, *Ibid.*, 474; restored 1714, *Ibid.*, 564; abandoned 1725, *Ibid.*, vol. 4, 175.

sheets in the "province box,"<sup>1</sup> whence they were withdrawn, signed and issued from time to time. It was, of course, desirable under these circumstances to reissue or, as they termed it, "repeat" the bills and keep them in circulation as long as possible. Dudley said to the assembly, October 8, 1711: "I must desire you to enable the treasury, by repeating and further impressing so many bills, if you choose that way, as will pay the province debts."<sup>2</sup>

We find that the bills of the first emission were afterwards spoken of as "the cypher bills,"<sup>3</sup> "the old cyphered bills,"<sup>4</sup> or as "the cyphered bills of the first impression on the province."<sup>5</sup> This title was doubtless based upon some feature in the engraving, for we find another set of bills designated as "the old red figured bills."<sup>6</sup> The plates were put in the custody of a keeper designated by the assembly.<sup>7</sup>

We have seen what Douglass said about the bills being counterfeited. By statute passed at the May ses-

<sup>1</sup>Sept. 1, 1747, a committee was appointed "to count the blank sheets now in the hands of the committee for imprinting the £60,000, and put them into the province box, taking a receipt therefor, of the persons that have the keys of said box." New Hampshire Provincial Papers, vol. 5, p. 530. This committee reported September 3, "We have received from the said committee three hundred and thirty-five sheets blank of the great plate. We have examined the box and find there one hundred and sixty-seven sheets of the small plate and eighteen sheets of the large plate all blanks \* \* \* ." New Hampshire Provincial Papers, p. 533, note.

<sup>2</sup> *Ibid.*, vol. 3, p. 501.

<sup>3</sup> *Ibid.*, vol. 4, p. 228.

<sup>4</sup> *Ibid.*, pp. 296 and 299.

<sup>5</sup> *Ibid.*, p. 519.

<sup>6</sup> *Ibid.*, p. 415.

<sup>7</sup> May 11, 1722, it was ordered that the plates for impressing the bills of credit be left in the hands of Mr. Speaker Pierce. New Hampshire Provincial Papers, vol. 4, p. 318. April 30, 1726, they were ordered to be delivered for safe keeping to Col. John Plaisted, from whom they had been taken. *Ibid.*, vol. 4, pp. 217 and 427.

sion, 1711, a penalty of double the value of the counterfeited bill was laid for this offence.<sup>1</sup> In the 12th of George II, (covering parts of 1738 and 1739) the penalty was changed to death without the benefit of the clergy.<sup>2</sup>

Apparently, the treasurer permitted tax collectors to make their remittances in any of the public bills current in the province. As a result of this practice, some difficulty was experienced in retiring the province bills under the funds provided for that purpose. May 12, 1714, it was naively remarked that the burning of the bills of the other governments then in the hands of the treasurer would not answer the fund of this province, and to avoid charges which might arise from changing them into New Hampshire bills, it was voted to loan the bills of these governments then in the treasury to persons who would oblige themselves to repay the province in New Hampshire bills. This process was resorted to from time to time, and ultimately caused much trouble.<sup>3</sup>

The assembly, when it was inconvenient to levy a tax for the retirement of bills in accordance with the fund established at the time of the emission, exercised its discretion in the matter and suspended payment.<sup>4</sup> January 24, 1716-17, the general policy of lending the bills of public credit by the province was inaugurated.<sup>5</sup> £10,000 were

<sup>1</sup> Acts and laws of His Majesty's Province of New Hampshire in New England, etc., etc. Portsmouth, 1771, pp. 33, 34.

<sup>2</sup> *Ibid.*, pp. 171, 172.

<sup>3</sup> January 23, 1733-34, the governor announced that the Lords of Trade had refused consent to an emission of £6,000, the amount which the province was permitted to issue for annual expenditures, because a loan of £1,730, on which only 2½ per cent. interest was charged, had been out for nearly twenty years. New Hampshire Provincial Papers, vol. 4, pp. 666, 667.

<sup>4</sup> *Ibid.*, vol. 3, p. 644.

<sup>5</sup> *Ibid.*, p. 671.



then lent for twenty years, principal and interest to be adjusted by payment annually of 5 per cent. May 18, 1717, £15,000 were let out for eleven years, the principal and interest to be adjusted by the payment of 10 per cent.<sup>1</sup> of the principal each year.<sup>2</sup> The same conflicts between the governor and the representatives prevailed in New Hampshire that we have found in Massachusetts. In March, 1732-33, the house proposed a loan of £20,000 for sixteen years, which the council unanimously rejected. The representatives then proposed to loan the same amount for eight years and to make the bills redeemable in silver. This also the board unanimously rejected. The house then fell back upon the proposition so often urged in Massachusetts, that they could see no other way of supplying the treasury.<sup>3</sup> The feelings of the representatives in regard to bills of public credit are sufficiently indicated in a vote of the house, January, 17, 1733-34, to make bills of credit a lawful tender for special contracts, and their disposition to use the power which was lodged in their hands through control of the supplies, was indicated by the statement that, inasmuch as his excellency had informed them that he could not postpone payment of the sums already emitted, nor emit any further sum unless it should be repaid be-

<sup>1</sup> The fact that at times the interest was provided for in the system of annual instalments in the New Hampshire loans, has occasioned some misapprehension on the part of investigators of this subject : See economic and social history of New England, 1620-1789, by William B. Weedon, vol. 2, pp. 476, 483. The History of New Hampshire, by Jeremy Belknap, Farmer's edition, pp. 185, 186.

<sup>2</sup> New Hampshire Provincial Papers, vol. 3, p. 688. This £15,000 loan was afterwards extended to 1729, *Ibid.*, vol. 4, 516. May 26, 1732, it was not half paid, *Ibid.*, vol. 4, 624 ; £7,000 was still outstanding in 1733, *Ibid.*, vol. 4, 644.

<sup>3</sup> New Hampshire Provincial Papers, vol. 4, pp. 635, 636, 638, 640, 641.

tween that time and the year 1742, which years were already saddled with as much as people could pay, they would suspend consideration of the question of supplies until the next spring session.<sup>1</sup> May 3, 1735, Governor Belcher, in a speech to the assembly, called attention to the notes emitted by the Portsmouth merchants, characterizing the scheme as "an unwarrantable attempt made by a set of private gentlemen to strike and issue paper notes or bills to pass in lieu of money." He added, "if the legislature are restrained by his Majesty's royal orders from a practice of this nature, any other way than may be for the necessary charge of the province, surely private persons ought not to presume upon it."<sup>2</sup> The house replied that they were not sensible wherein such an attempt was unwarrantable, unless some notorious fraud or cheat might be designed and discovered therein, inasmuch as they could not apprehend that his Majesty's royal instruction upon the head of province bills was ever intended to extend to negotiable notes amongst merchants and traders. They were not a little concerned to see his excellency's proclamation publishing an act of the province of Massachusetts against taking these notes prefaced thus: "least some unwary persons be imposed upon by the said notes or bills."<sup>3</sup> At a later date, May 17th, Belcher recurred to the subject. He regretted that instead of justifying the merchants' notes they had not passed a law against their circulation. Since coming into the province, several complaints had been made to him from some unwary people who had been imposed upon by these paper

<sup>1</sup> New Hampshire Provincial Papers, vol. 4, pp. 659, 664.

<sup>2</sup> *Ibid.*, p. 685.

<sup>3</sup> *Ibid.*, p. 688.

notes. Some of the principal founders and undertakers of the scheme had refused to give credit to their own notes. They would become a dead loss in the hands of persons who had parted with their substance for them, and thus doubtless would disclose to the world a notorious fraud. The Massachusetts act, he said, could not take away their value, if they had any, but could only confine their circulation to this province.<sup>1</sup>

In February, 1740-41, Belcher warned the assembly concerning the Massachusetts land bank notes, but the members of the house although not prepared to defend a scheme which had its origin and its operations in another province, nevertheless declined to accept the governor's conclusions. Not having the scheme before them, and many of them being unacquainted with it, they said it would be rash for them to act in the matter till they knew more about it.<sup>2</sup>

In some of the tax acts the treasurer was instructed to receive produce. Thus March 23, 1736-37, he was authorized to receive hemp, flax, and bar iron. Silver was rated in the act at 18s. per ounce.<sup>3</sup>

The course of the depreciation of the currency is indicated in an appeal made by Belcher to the assembly to protect him from loss through the effect of the depreciation of the public bills upon his salary. He furnishes therein a statement of the premium on silver from 1730-1739 inclusive. He says that in 1730 and 1731, it was 250; 1732, 270; 1733, 300; 1734-1739, 425.<sup>4</sup>

A new tenor bill was adopted in January, 1741-42,

<sup>1</sup> New Hampshire Provincial Papers; vol. 4, p. 697.

<sup>2</sup> *Ibid.*, vol. 5, p. 76.

<sup>3</sup> *Ibid.*, vol. 4, p. 724.

<sup>4</sup> *Ibid.*, vol. 5, p. 84.

which was to be equal to silver at 6s. 8*d.* per ounce and in which old tenor bills were rated in the proportion of four and two-tenths for one of the new, 6s. 8*d.* of the new bills being made equivalent to 28*s.* of the old in the payment of old debts.<sup>1</sup> The rule was changed February 19, and the treasurer was ordered to receive these bills in payment of taxes on the basis of one of the new for four of the old.<sup>2</sup> In the adjustment of debts, similar differences of opinion as to the rights and powers of the assembly were disclosed in the discussions, as have been found in our examination of affairs in Massachusetts. The right was reserved to the General Assembly to settle the value of the public bills once every year in the month of September, or October. In September, 1747, the representatives voted unanimously to set aside the last determination made by the judges of the superior court in March, and ordered them to adopt a determination made in February, 1742-43. This was too great a departure from the facts of the case for the council, who notified them that it was their duty under the act to ascertain the value of the bills. The next day the assembly voted to enforce the act which provided a penalty for passing the bills at a greater value than that at which they were emitted, and instructed the judges to enter up judgments in these bills at their expressed value in silver at 6s. 8*d.* an ounce.

A certificate was prepared December 31, 1739, showing the amount of the public bills issued by the province up to that date, and the amount then outstanding. From this it appears that the total emissions upon funds up to that time had been £56,384, of which there was

<sup>1</sup> New Hampshire Provincial Papers, vol. 5, p. 143.

<sup>2</sup> *Ibid.*, pp. 145 and 157.

then outstanding £10,576 16s. Of the £15,000 loan there was still upaid at that date £2,000. In addition, there was still outstanding a loan of £1,730, of which the Lords of Trade in 1734 said that it had been out near twenty years at only two and one-half per cent. interest. The total amount of the public bills then in circulation, according to this certificate amounted, therefore, to £14,306 16s. In 1743, £25,000 new tenor, equivalent practically to £100,000 old tenor, was loaned for ten years.<sup>1</sup> This was the loan which, according to Shirley, affected the rate of silver in Massachusetts. £13,000 new tenor, equal to £52,000 old tenor, were emitted in February, 1744-45, to meet the expenses of the Louisburg expedition.<sup>2</sup> This was followed by loans of £6,000 new tenor in June, and £8,000 in November of the same year, the retirement of which was carried forward to 1766, thus adding the equivalent of £56,000 old tenor to the circulation.<sup>3</sup> The last emission which concerns us in this discussion, was in response to a letter from the Duke of Newcastle, calling upon the province to furnish clothing, arms, etc., for an expedition against Canada, the expenditures to be repaid by General St. Clair. This was in June, 1746, and the amount emitted was £60,000.<sup>4</sup> If this was new tenor, as was probably the case, the circulation was thereby increased £240,000 in old tenor. In the wild confusion which then existed in the province of the Massachusetts Bay, the contributory effect of this last emission upon the rate of silver

<sup>1</sup> New Hampshire Provincial Papers, vol. 5, pp. 654, 672, 687. Belknap's History of New Hampshire, Farmer's Edition, p. 264.

<sup>2</sup> New Hampshire Provincial Papers, vol. 5, p. 296. Belknap's History of New Hampshire, Farmer's edition, p. 271.

<sup>3</sup> New Hampshire Provincial Papers, vol. 5, pp. 350, 354, 386.

<sup>4</sup> *Ibid.*, p. 432.



was, perhaps, not so perceptible as was that of the emission to which Shirley alluded, but it explains the necessity for including the New Hampshire bills, no longer insignificant in nominal amount, in the prohibition which was placed by Massachusetts upon the circulation of the bills of other governments.<sup>1</sup>

<sup>1</sup>The student will find an ingenious attempt to work out the contributions of New Hampshire to the currency of the period in chapter 122 of *Colonial Issues*, in *Essays on the monetary history of the United States*, by Charles J. Bullock, New York, 1900. The confusion of the New Hampshire Records is at times very great and the task of their analysis was proportionately increased.

## CHAPTER XVIII.

### THE EMISSIONS OF THE NEIGHBORING GOVERNMENTS. RHODE ISLAND.

Before attempting to analyze events connected with the paper money craze which at this time swept over Rhode Island, let us take a glance at the contemporary estimate of these occurrences. Dr. Douglass, after stating that in 1739, there was about £330,000 in the public bills of this colony then in circulation, all emitted upon loans, proceeded as follows: "The interest of these public loans defrays the charges of the government, and of their towns." In this lay the peril of the situation. No theorizing of the financiers could convince the assembly that it was unwise to maintain the government without taxation. No exercise of the power of disapproval on the part of the governor could, under the charter of this colony, check, and no appeal to the privy council could prevent, the passage of these loan acts. Owing to the supposed scarcity of currency created in Massachusetts and New Hampshire, by the disabilities as to the emission of paper money imposed by the privy council, the emissions of Rhode Island were welcomed there. The restraints upon emissions in Connecticut were voluntary and were based upon the reluctance of the government to participate indiscriminately in the general inflation. The supply of colony bills was supposed by many to be inadequate and there also the Rhode Island bills were welcomed. In thus contributing to the supposed needs of her neighbors, and at the same time deriving benefit from the loans through which this was effected, Rhode Island was unconscious of the harm that she was doing.

On the other hand, the other governments did not realize that through their weakness in thus permitting the wants of the inflationists to be supplied from outside sources, they were contributing to their own injury.

Douglass, however, saw this, and declaimed against it with his accustomed vigor: "I shall embrace this opportunity," he said, "of exemplifying the iniquity of the colony public bills of credit, by the instance of Rhode Island, a small colony containing about 18,000 souls, under an old charter, very lax and general; they admit no instructions from the King, Council, or Board of Trade and Plantations, the King having no representative or commissioned governor in this legislature. This handful of people have lately made a very profitable branch of trade and commerce by negotiating their own paper money in various shapes, their money being loans of paper credit called bills, from their government to private persons upon land security, to be repaid, not in the same real value, but in the same depreciating, fallacious denominations." The author then points out that a person who had managed to keep alive his debt to the colony through participation in the successive loans, had been placed, through the steady increase in the price of silver, in the position of being able each year to pay off his loan in paper having the same denominational value as that which he borrowed, but whose purchasing power had steadily declined. He sarcastically adds that if this could be supposed to continue the debt could be paid with nothing.

The successive loans of the colony, or banks as they were termed, were evidently sources of attraction to borrowers. Most of the later acts establishing them contain provisions requiring the commissioners who had charge of lending the money to give preference in the

distribution of the loans, to persons who had not participated in the previous banks. Douglass asserts that the borrowers were able to lend the bills at a rate of interest considerably in advance of that which they paid to the colony. "They who take up this loan money," he says, "are called sharers, and for the first ten years pay into the treasury, 5 per cent. per annum interest; and for the other ten years pay 10 per cent. per annum of the principal, without interest. The sharers let out this money, in their own and neighboring colonies at 10 per cent. for the said twenty years (some let it at a higher interest.) \* \* ." <sup>1</sup> Such being the case, it is easy to conceive that the rights to subscribe for these loans might have been very valuable to capitalists who knew how to improve their opportunities, and, on the other hand, the farmers and country people generally, not having immediate use for the bills, would have been ready to part with these rights for a compensation.

This state of affairs, according to Douglass, actually existed. "In another shape," he says, "upon a new emission, interest is made with the managers to obtain shares in the loan; the sharers immediately sell (or may sell) their privilege, as it is called, for ready money premium; at the emission A, 1738, the premium was £35 per cent, that is, the emission of £100,000 does immediately produce after the rate of £35,000 ready money profit." <sup>2</sup>

With this preliminary survey of the field of action in Rhode Island, which contains in outline all the material facts which we shall find, we are prepared to examine

<sup>1</sup> The author of *Money the sinews of trade, etc.*, a pamphlet published about 1733, devotes several pages to the Rhode Island loans.

<sup>2</sup> A Discourse concerning the currencies of the British plantations in America, etc., pp. 10, 11, 12.

somewhat more in detail the characteristic features of these peculiar proceedings.

The first emission was for £5000, which was to be called in through taxation, in five annual collections of one thousand pounds each. It was alleged that the issue was made in consequence of an order having been received from her sacred majesty, Queen Anne, for an expedition to be prosecuted with speed against the French and Indian enemies, which by reason of the great scarcity and want of silver money, this colony, without some extraordinary means should be used for effecting the same, would be unable to perform. The form of note corresponded with the Massachusetts old tenor note and bore date August 16th, 1710. The hands of the believers in sound money are to be seen in the attempt to limit the time that the bills should be out, and in the clauses of the act which provide for calling them in. They were to be received and paid, for the same value and equal to current coin passed in the colony, for and during the space of five years ensuing the date of the act, and when called in, the possessor of such bills was to be reimbursed the sum mentioned in such bill or bills, in current money of said colony by the general treasurer thereof.<sup>1</sup> This probably means that if the taxes through which they were to be retired should be paid in coin, leaving the bills outstanding, then the colony would redeem the bills on the above terms.

In 1715, the first of the large loans was made. There were, during the course of the inflation, a few instances of special legislation providing for the lending of bills to individuals, one of which was prior to this date. These individual loans were, however, too insignificant

<sup>1</sup> Acts and Laws of Rhode Island, edition of 1744, p. 42.



in amount to compel consideration. Up to 1715, there had been several emissions for the current expenses of the colony, and the policy had been inaugurated of allowing five per cent. advance when payments were made in the public treasury. As it was found that the bills could be easily floated on loans, and the interest money received by the colony was adequate to meet current expenses, there was no longer any need for making this allowance. The total amount lent to the inhabitants of the colony in 1715, was £40,000. It was put out in two instalments, one of £30,000 July 5th, and one of £10,000 October 26th. The alleged causes for the loans were the extraordinary additional charges to the colony created by sundry expeditions for the reducing of Port Royal and Canada, which had brought the money and other mediums of exchange of the colony to a low ebb, and had caused trade to decay and business to languish. Fort Anne had gone to decay, and ammunition and stores were wanted. The gaol needed repairs and enlargement, and there were many other public emergencies. It was not stated how the lending of the public bills to borrowers would meet these exigencies, but as interest was to be received by the colony during the continuance of the loans, it is evident that this was what was relied on. The bills furnished by this emission ranged in denomination from £5 to 1s. and were to be lent for ten years at five per cent. interest. It was apparently the intention that five year mortgages should be given subject to a renewal for five years longer. Separate bonds were to be given for the interest money, one for the amount that would be due each year, five only being required when the loan was made.<sup>1</sup>

<sup>1</sup> Acts and Laws of Rhode Island, edition of 1744, pp. 54-58.

At the May session 1721, £40,000 were emitted by way of loan to supply the deficiency in the medium of exchange, and also on account of the speedy and very great repairs needed at Fort Anne. These bills were loaned for five years at five per cent, and for three months after they were offered, "no person that hired any of the former bills of credit" was eligible as a borrower. It was provided that the interest could be paid in hemp or flax at prices to be set, and one-half the interest money was to go for the support of the towns in the colony.<sup>1</sup>

Under the terms of the loans made in 1715 and 1721, the entire £80,000 should have been paid during the years 1725 and 1726. It is generally stated by writers on the subject of the currency that by an act passed in 1728 these loans were continued in force, and provision made for their payment in instalments, the last of which would become due in 1738.<sup>2</sup> It is true that an act of this general character was then passed, but the legislation which then took effect did not entirely cover the necessities of the case. Both loans were then past due, and if the terms of the original act had not been amended by intermediate legislation, the loans should before that date all have been paid. Reference is made in the preamble of the act of 1728 to an act in addition

<sup>1</sup> Acts and Laws of Rhode Island, edition of 1744, p. 84.

<sup>2</sup> In a petition of the inhabitants, in opposition to the continuance of the policy of emitting these loans, forwarded August 30, 1731, to George II, it is stated that the loans of 1715 and 1721 were extended in 1728, and no reference is made to any previous legislation. Records of the colony of Rhode Island, etc, vol. 4, p. 460.

Governor Ward, in a report to the Board of Trade in 1741, says that in 1725 the first £40,000 was continued until 1728 and then to be paid in ten annual instalments. He leaves the loan of 1721 to stand on its original basis. Records of the colony of Rhode Island, etc., vol. 5, p. 8, *et seq.*

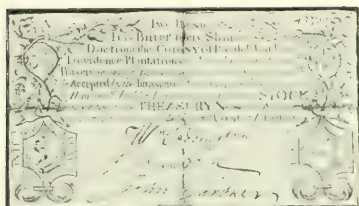
to the two acts of 1715, which is there said to have been passed on the 29th of December, 1724. The edition of the laws of Rhode Island published in 1730 gives the title of this act.<sup>1</sup> The colonial records also give this title, but the act itself is not given in either of these publications.<sup>2</sup>

Through the kindness of Mr. George Parker Winship, of Providence, I am able to supply the essential portions of the missing act. The amendments were effected by two acts, passed at the session of December 29, 1724, the first of which stated that the £40,000 emitted in 1715, were to be paid in 1725. If the said bills were paid then, there would be an absolute necessity of raising and emitting more bills, which would be a great charge to the colony. For this reason, it was enacted that those persons who had taken out the aforesaid bills should pay the same within ten years from and after the time of the aforesaid year, 1725, that is to say, one-fifth part in the year 1727, and one other fifth part in the year 1729, and to pay one-fifth part at every two years' end, until the same be wholly paid unto the colony's trustees. The money when repaid was to be apportioned to the several towns, and by them to be let out upon good land security for the term of five years to any of the inhabitants of the respective towns who had not had an opportunity to participate as borrowers in either of the two banks which had already been established. Bonds were to be given for the payment of the interest. As the principal would be subject to changes through the payment of instalments, provision was made in the act for the issue of these interest bonds upon a graduated scale, as follows: "Those persons

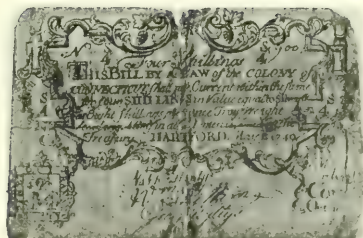
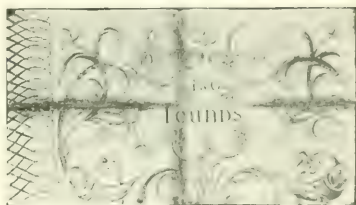
<sup>1</sup> Acts and Laws of Rhode Island, Newport, 1730, p. 135.

<sup>2</sup> Records of the Colony of Rhode Island, etc., vol. 4, p. 350.

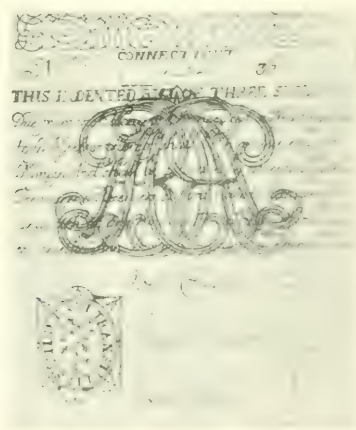
# PLATE 18.



Rhode Island Bill for £2, emitted in 1737. Photographed by permission of the Essex Institute.



Connecticut Bill for 4s, emitted in 1740. Photographed by permission of the Massachusetts Historical Society.



30s. Bill, Connecticut, 1767, bearing the red monogram. This bill is in the Chamberlain collection, Boston Public Library. The numerals designating the size of the bill have been altered to 30s. I am indebted to the courtesy of Mr. Worthington C. Ford for this photograph.





that have taken out these bills to give bonds for the payment of the whole interest of the bills they have hired for two years, and two bonds for the four-fifths remaining for the next two years, and so bonds for the annual payment of the interest for such part as is in their hands till the whole be paid, said bonds to be taken by the committees of each respective town to which they belong."

The second loan of £40,000 was treated at the same session in a somewhat similar way. It was alleged that it had been found by experience that the loan could not be called in at the prescribed time without unspeakable damage to the country. To avoid this it was enacted that borrowers might be permitted to have the use of the bills on interest for five years longer. Payments were to be made once in two years, if so desired by the borrowers, and the money when paid in was to be let out by the towns in the same manner as prescribed in the case of the other loan. The interest money to be derived from the extended term was to be applied in the same way as was directed in the original act.<sup>1</sup>

If this legislation had been permitted to stand its effect would have been to give the borrowers under the first bank the use of their money for just twice the length of time allotted to those who participated in the second bank; the loans under the first being for ten years and the payments by instalments covering ten years longer, while those under the second were for five and five.

The act of 1728, which has been referred to as the only one generally recognized as authority for the extension of these loans, contained in its preamble the assertion

<sup>1</sup>This act is given by title in the *Acts and Laws of Rhode Island, Newport, 1730*, p. 135.

that the amendatory act of 1724 ordered and directed the £40,000, being the first bank emitted in Rhode Island,<sup>1</sup> to be called in out of the hands of the persons entrusted therewith and let out to others. The assembly had, however, concluded that it was better for the honor and integrity of the government not to keep out the bank longer than necessity required. It would also be of less prejudice to the currency. The payment of interest had exhausted the stock of the borrowers, and to demand the payment of the whole sum of the loan at one time would lead to the ruin and destruction of many families. It was, therefore, enacted that the act of December 29, 1724, should be repealed, that the loan should be continued three years,<sup>2</sup> under the same terms as those of the act by which it was created, after which it was not to be regarded as a loan, but was to be paid off in ten equal annual instalments, without interest; and for this purpose ten bonds were required. Provision was also made with reference to the interest bonds, the purpose of which was to see that interest was paid during the three years' extension. Taken by itself, the language of this provision is not intelligible, but when read in connection with previous legislation, its meaning is clear.<sup>3</sup>

The absurdity of the claim set forth in the preamble of this act of 1728, that the legislation in 1724 had been in the nature of calling in the loans and furnishing an opportunity to let the same bills out to others who had not participated in the first of the so-called banks, indicates some hidden motive. A person desirous of borrowing under the terms of that act, if the opportunity had not been offered him till the last payment under

<sup>1</sup> That of 1715.

<sup>2</sup> From the time it fell due.

<sup>3</sup> Acts and Laws of Rhode Island, edition of 1744, p. 103, *et seq.*

the terms of the act should have been made, might have been kept out of his five year loan until his predecessor had enjoyed the use of some of the bills that he had borrowed for twenty years. This is the extreme case in one direction, but if, on the other hand, he came in as a participator in 1727, on the first payment made under the act, then he had but a five year loan, as against the twelve year loan of the same money by his predecessor, who still had before him eight years in which to pay off the balance of the loan. Those who had participated in the second bank had enjoyed the benefits of the loans for only one half the time allowed their more fortunate neighbors, who borrowed bills under the first bank, while those who had not succeeded in obtaining loans under either of the earlier "banks" were evidently at a still greater disadvantage if this legislation was to stand, and as the market value of the privileges to which Douglass refers must have been measured by the length of the loans, it is plain that the wording of the act of 1724 was unfair, and that it required revision if there was to be any pretence of offering equal opportunities to the would be borrowers. One step towards accomplishing this was taken by offering a new loan upon equal terms with the old. By the repeal of the act of 1724, and the extension of the loan at interest for three years, the life of the first loan was extended to thirteen years, and the time in which the payments by instalments could be made ten years longer. The new loan of £40,000 offered under this act was to be let out primarily to those who had not enjoyed the benefits of the former loans, and the loans were to be made for thirteen years. For three months no person who had participated in either of the previous loans was eligible as a subscriber to this. The provisions for interest during the life of the

loan, and for payment by ten equal annual instalments after the expiration of the thirteen years were similar to those made with regard to the loan in the former act.<sup>1</sup> It will, perhaps, be suspected that this result must have been brought about by pressure upon the assembly on the part of those who were dissatisfied with the act of 1724, and that the gentle gloss put upon the facts of the case as stated in the preamble was not expected to deceive those who secured the repeal of the former act and the new emission for loans, on an equality with the first of that character.

As a result of this legislation the participators in the second £40,000 bank were still at a disadvantage, but in June of the same year the final step towards equalizing the opportunities of the borrowers was taken by putting this bank upon precisely the same plane with the others, that is to say, it was to remain out for thirteen years and then to be sunk in the same manner as the others. It was through this intricate process that the borrowers in the three "banks" then in existence were put upon an equality as to the length of time afforded for the advantageous use of these credits.<sup>2</sup> In June, 1731, special provision was made for the new interest bonds required by this extension and for the execution of the bonds needed to carry out the payment by instalments.<sup>3</sup>

A new loan of £60,000 was made in June, 1731. It was conceived that a bounty for the encouragement of the hempen manufactory and of the whale and cod fishery would be of great advantage and benefit to Great

<sup>1</sup> This was not provided for in the original act, but by additional legislation in June. Acts and Laws of Rhode Island, edition of 1744, p. III.

<sup>2</sup> *Ibid.*, p. III.

<sup>3</sup> *Ibid.*, p. 164.

Britain. Persons who had not already borrowed from any of the "banks" were first to be served. The loan was to be for ten years and the interest was to be for the use of the colony. Payment was to be made after the ten years, in ten equal annual instalments.<sup>1</sup>

The governor attempted to restrain this emission by withholding his consent from the act; but the assembly treated his dissent with disdain and August 3rd, 1731, set forth their reasons for considering it of no effect.<sup>2</sup> The governor appealed to the King, but the opinion which was afterwards transmitted by the attorney general and solicitor general could have given him little comfort.<sup>3</sup>

In July, 1733, £104,000 were emitted, of which £100,000 were loaned. Fort George was weak and lacked arms and ammunition. £4000 of this emission were to be used to procure these, and the bills were to be withdrawn through the interest payments of the second and third years, on the loan simultaneously emitted. The whale and cod fishery needed promoting and a pier at Block Island would be very convenient. The loan was for ten years at five per cent., and was then payable in ten instalments.<sup>4</sup> In August, 1738, a new loan of £100,000 was made, the essential features of which were in all respects like those of 1733. The alleged causes for the emission were that the "first bank" had almost expired, and nearly one-half of the second. There was an absolute necessity of increasing the medium of exchange. The Colony House at Newport was

<sup>1</sup> Acts and Laws of Rhode Island, edition of 1744, pp. 158-162 and p. 166.

<sup>2</sup> Records of the Colony of Rhode Island, vol. 4, p. 456.

<sup>3</sup> *Ibid.*, pp. 459, 461.

<sup>4</sup> Acts and Laws of Rhode Island, edition of 1744, p. 172.



out of repair. A light-house was needed at Beaver Tail. Bounties ought to be offered for the fishery and for hemp.<sup>1</sup>

Meantime, the colony had gone through the same experiences in the division of the bills for making change, as had obtained in the other governments, and had also in a similar way sought to prevent the evil by penal legislation.<sup>2</sup> In 1737 and 1738 the torn bills were called in.<sup>3</sup> Penalties were provided for counterfeiting the bills of any of the New England governments;<sup>4</sup> but even after this, wicked persons engraved plates and uttered forged bills.<sup>5</sup> The trouble connected with the adjustment of debts had been partially provided for by giving the judges of the superior and inferior courts power, in entering up judgment upon any bond or other specialty, conditioned for the payment of money, to chancer down such instrument to the just damages.<sup>6</sup> When the loans of the first bank were extended, many mortgagors neglected to execute the new bonds required by the act, and an attempt was made to cure this evil by passing an act requiring the grand committee to sue the mortgages of such as failed in this regard.<sup>7</sup> Difficulty was experienced in collecting interest upon the mortgages. No other security was taken for the interest money than the personal bonds of the mortgagors. If, after a sale of mortgaged property was made, the vendor moved out of the colony there was no way in which this interest could be collected.<sup>8</sup> To protect the

<sup>1</sup> Acts and Laws of Rhode Island, edition of 1744, p. 211.

<sup>2</sup> *Ibid.*, p. 92; edition of 1730, p. 133.

<sup>3</sup> *Ibid.*, pp. 197, 207.

<sup>4</sup> Records of the Colony of Rhode Island, vol. 4, p. 117.

<sup>5</sup> Acts and Laws of Rhode Island, edition of 1744, p. 98.

<sup>6</sup> *Ibid.*, p. 134.

<sup>7</sup> *Ibid.*, p. 181.

<sup>8</sup> *Ibid.*, p. 206.

colony against losses arising from this cause, it was enacted, in 1738, that the mortgages should be good and valid to secure the interest as well as the principal.<sup>1</sup>

There can be no doubt that during all these proceedings there was a strong minority in Rhode Island which was in thorough opposition to them. The opponents of the paper currency were, however, so utterly incapable of coping with the situation that, from the days of the first emission, when a feeble attempt was made to provide for a possible redemption in coin of such of the bills as might be outstanding after the taxes for calling them in had been collected, they put forth no efforts of consequence until 1731, when the governor came to their assistance. The various petitions and addresses then sent to England are given in the colonial records.<sup>2</sup> Members of the assembly, however, notwithstanding the inefficacy of the proceeding, filed written protests against the emissions in February, 1743-44.<sup>3</sup>

It was evidently hoped, in 1731, that if the governor's power to disapprove such bills were sustained, the colony might be brought into line with Massachusetts, under instructions similar to those issued to Belcher. The opinion of the attorney general shattered this hope, and from that time forward the opponents of the banks were compelled to let matters drift until parliament should intervene.

Meantime, silver had, before 1740, reached 27s. in old tenor, and the new and old tenor bills of the province of the Massachusetts Bay, even though of the same denomination, were circulating at different values. Rhode Island followed the example of Massachusetts and issued a new tenor bill. The act under which this was accomplished

<sup>1</sup> Acts and Laws of Rhode Island, edition 1744, p. 218.

<sup>2</sup> Records of the Colony of Rhode Island, vol. 4, p. 457, *et seq.*

<sup>3</sup> *Ibid.*, vol. 5, p. 75.

provided for the emission of £20,000 on loans in the new form, and £10,000 for present emergencies of the old tenor. The alleged causes for the issue were that the colony was obliged to send two companies of soldiers against the Spaniards, and was compelled to maintain a private vessel of war to cruise off the coast of New England. The new notes were to be equivalent to silver rated at nine shillings an ounce. The loans were to be for ten years, to be paid in ten equal annual payments and the interest was to be at the rate of four per cent. The bonds for interest were merely issued as collateral. The form of the bill to be emitted was as follows :

This bill of \_\_\_\_\_ due from the Colony of Rhode Island, etc., to the possessor thereof, shall be in value equal to \_\_\_\_\_ oz. \_\_\_\_\_ dwt. \_\_\_\_\_ gr. in silver, Troy weight of Sterling Alloy or gold coin at the rate of £6 13s. 4d. per ounce, or to such a sum, in any medium of exchange as shall be passing in the Government, as will be equal to so much silver or gold ; and shall be accordingly accepted by the Treasurer of said Colony, and the Receiver thereof, in all payments, by order of the General Assembly.

Newport, September 16, 1740.<sup>1</sup>

On the second of December, 1740, the assembly announced that after the passage of the above act, instructions were received from the Lords Justices of Great Britain, to which the act did not seem to be in some parts exactly agreeable. It was, therefore, enacted, in compliance with the aforesaid instructions, that in lieu of the aforesaid £20,000 there should be emitted £20,000 equivalent to silver at 6s. 9d. per ounce or to gold of proportionate value. The loans were to be for ten years. The interest was to be at the rate of four per cent. and the mortgages were to be security for both principal and interest. The form of the new bill was as follows :

<sup>1</sup> Acts and Laws of Rhode Island, edition of 1744, pp. 226-229.

This bill of \_\_\_\_\_ due from the Colony of Rhode Island, etc., to the possessor thereof, shall be in value equal to \_\_\_\_\_ oz. \_\_\_\_\_ dwt. \_\_\_\_\_ gr. in silver, Troy weight, of sterling alloy, or gold coin at the rate of five pounds per ounce; and shall be accordingly accepted by the Treasurer and the Receiver thereof, in all payments, by order of the General Assembly.

Warwick, December 2, 1740.<sup>1</sup>

A provision in the first of these two acts that fees should be one-third as much in the new bills as they formerly were in bills of the old tenor, would indicate that it was the intention to rate their value as one of the new tenor for three of the old. In the second of these acts the same fees were made one quarter as much in the bills then emitted as in bills of old tenor,<sup>2</sup> and later it was enacted that 6*s.* 9*d.* in the new bills were equivalent to 27*s.* in old tenor, thus definitely placing them on the basis of one to four.<sup>3</sup>

At this stage of the emission, January 9, 1740-41, a report was made by Governor Ward to the Board of Trade showing the amounts of the several issues, the price of silver at the date of each issue and the value of each emission in sterling. According to this report there were then outstanding public bills of the denominational value of £340,000 equal in value to £88.074, 16*s.* 10¾*d.* sterling. If the last emission had been stated in terms of old tenor in the report the amount outstanding would have been £400,000, once and three quarters the amount then outstanding of the bills of the province of the Massachusetts Bay. One reason assigned by the governor for these large emissions was that "the province of Massachusetts Bay, having their hands so tied up that notwithstanding a great number of bills in

<sup>1</sup> Acts and Laws of Rhode Island, edition of 1744, pp. 230-232.

<sup>2</sup> *Ibid.*, p. 228 and p. 231.

<sup>3</sup> *Ibid.*, p. 237.

circulation among them, the merchants of Boston have been forced to emit a round sum of negotiable notes of hand to supply the want of money and prevent business from stagnation.”<sup>1</sup>

In this report Governor Ward called attention to the fact that moderation on the part of Connecticut and restraints imposed upon Massachusetts and New Hampshire had not operated to preserve the bills of those governments from participating in the depreciation suffered by the bills of Rhode Island. Failing to recognize the true responsibility of his own government, whose bills, through the weakness of the neighboring governments, were permitted to work their full effects upon the situation, he sought for an explanation for the depreciation in the fact that the Boston merchants were obliged to purchase gold and silver. This, he added, “is the only true way of accounting for that misfortune; and what confirms it is that the colony of Connecticut have not, at this time, above £13,000 or £14,000 extant, in bills of credit, and yet it takes as much of their money to purchase an ounce of silver as it does of the Massachusetts, New Hampshire, or ours.”<sup>2</sup>

The bills, which were to be equivalent to silver rated at 6s. 9d. an ounce, were known as the new tenor bills, and following the provisions of the act containing the rejected form for which they were substituted, were to be receivable “in all payments.” Two thousand pounds were emitted in May, 1741,<sup>3</sup> and two thousand pounds in October of the same year.<sup>4</sup>

In consequence of the great expense of the war with

<sup>1</sup> Records of the Colony of Rhode Island, vol. 5, p. 11.

<sup>2</sup> *Ibid.*, p. 13.

<sup>3</sup> Acts and Laws of Rhode Island, edition of 1744, p. 238.

<sup>4</sup> *Ibid.*, p. 243.



Spain, the fear that there would be a war with France, and the fact that the four "banks" emitted in 1715, 1721, 1728, and 1731, were being annually sunk, thereby lessening the medium of exchange, £40,000 more in new tenor bills were, in February, 1743-44, loaned for ten years at 4 per cent. interest, one quarter of which was to go to the towns. The mortgages, which secured interest as well as principal (the bonds for the interest being merely collateral security), were then to be satisfied by ten equal annual payments.<sup>1</sup> These payments were to be made in the same bills, or in such other medium of exchange as should be passing in the colony at the time of payment, according to the value of said bills when emitted.

In February, 1744-45, £2,500 in new tenor bills were emitted on account of the Cape Breton expedition, and in September, 1745, £5,000 more of the same form.<sup>2</sup>

In June, 1746, £11,250 new tenor were emitted on account of the Canada expedition. These were to be called in by a fund covering the years 1750 to 1754, inclusive.<sup>3</sup> In February, 1746-47, £15,000 new tenor were emitted, and an equivalent fund for the retirement of these bills was provided by annual taxes of £10,000 old tenor each year, 1747 to 1752 inclusive.<sup>4</sup>

With this last emission our interest in the Rhode Island bills of public credit, so far as they affected the price of silver in the province of the Massachusetts Bay, necessarily ceases. It may, indeed, be thought

<sup>1</sup> Acts and Laws of Rhode Island, edition of 1744, pp. 271, 273.

<sup>2</sup> Acts and Laws of Rhode Island, edition of 1744, p. 298; Acts and Laws of His Majesty's Colony of Rhode Island, etc., 1745-1752, p. 1.

<sup>3</sup> Acts and Laws of his Majesty's Colony of Rhode Island, etc., 1745-1752, p. 11.

<sup>4</sup> *Ibid.*, p. 26.

that the contributory effect of the Rhode Island bills was not of much consequence after power was given to Shirley to emit bills to meet the expenses of his war-like expeditions. There are, however, some points connected with some of the later emissions which are worthy of being noted. March 18th, 1750-51 there was an emission authorized of £25,000 of a new form and tenor, to be used for "promoting the raising flax and wool and manufacturing the same into cloth, and also for giving a proper and suitable encouragement for the carrying on the whale and cod fishery." This act also included provisions "for settling and ascertaining the value" of the bills authorized to be emitted. It was alleged in the preamble of the act that the cause of the depreciation of the bills was owing to the indiscreet and illegal practice of giving for gold and silver and bills of exchange for sterling money, larger sums in bills of credit than the values stated for gold and silver in the respective acts of emission. This had worked injury and oppression and the gold and silver had thereby been drawn out of the colony. It was conceived to be of the highest importance that such evil practices should for the future be restrained.

The new bills were to be equal to silver at 6s. 9d. and gold at £5, 1s. 6d. an ounce, and every six shillings and nine pence of the new bills was to be equal to fifty-four shillings old tenor. They were to be lent on mortgage for five years at six per cent. and the loans were then to be paid in five equal annual instalments. The form was to be as follows :

By a law of the Colony of Rhode Island, etc., made and pass'd the third Monday of March, A.D., 1750. This bill of \_\_\_\_\_ due to the possessor thereof from the Colony, shall pass current and be equivalent to the respective proportions of silver and gold, as are regulated and stated

in said Act, and shall be accordingly accepted by the Treasurer of said Colony and the Receiver thereof, in all payments.

Providence, March the 18th, 1750.

Death to counterfeit this bill.

Any person who should pass one of these bills at a higher rate than was specified in the act could be tried and excluded from the freemen of the colony. £100 sterling was said to be worth £137, 10s. in the bills of the new form, or £275 in the bills known as new tenor, or £1,100 in old tenor. An ounce of silver was said to be worth 54s. old tenor, or 13s. 6d. new tenor.

Courts were to make up judgments, according to the contract, either in sterling money, silver or gold, or in bills of public credit according to the values above given.

Every plaintiff, before he could have an execution issued, was required to take oath that he had not violated this act, and no person could assume public office until he had taken the same oath. Every person coming into the colony, intending to carry on trade or commerce, was required within ten days to take the following oath :

“That you have not wittingly or willingly directly or indirectly by yourself or others, contracted for, given, taken, paid, accounted or settled for Gold, Silver, or Bills of Exchange, in any other manner and form than what is regulated and directed by this Act, and that you will for the future punctually and bona fide, observe and comply with the directions hereby stated, so long as the same shall be and continue in force.”<sup>1</sup>

When we reflect upon the opportunities afforded the average citizen in those days to acquaint himself with the laws in force in the colony, the question naturally suggests itself how many of them could possibly have known

<sup>1</sup> Acts and Laws of his Majesty's Colony of Rhode Island, etc., 1745-52, p. 87.

in any other way than by hearsay the contents of the manuscript laws which circulated about the colony in which were defined and through which only could be ascertained the values at which the bills of this form were to be received and passed under the penalties imposed by the act. Had it been possible by any sort of legislation to compel the circulation of these bills at any fixed rate in silver, it would at least have been essential that the bill itself should bear upon its face some evidence of the rate at which the assembly proposed by penal legislation to enforce its circulation.

It is not a matter of surprise to find that this extraordinary act was the subject of amendment in the following June, when a new form of bill was adopted in which the value was expressed in ounces of silver. The valuation in the former act was repealed and the ounce of silver was said to be equivalent to 64 shillings old tenor, or 16 shillings new tenor. The form was as follows :

This bill due from the Colony of Rhode Island, shall be equal to            of coined silver of sterling alloy, to the possessor thereof, and shall be accordingly received in the Treasury. By order of the Assembly.

Providence, March 18, 1750.<sup>1</sup>

On the back were the inscriptions varying according to the denomination of the bill as follows :

5 oz. bill. This bill is equal to sixteen pounds old tenor.

2 oz. 10 dwt. bill. This bill is equal to eight pounds old tenor, and so on down to the 15 gr. bill which was said to be equal to two shillings.<sup>2</sup>

The modification of this act of emission called for a

<sup>1</sup> The engraved bill had the denominational value stated in terms of old tenor in figures in the four corners of the bill.

<sup>2</sup> Acts and Laws of his Majesty's Colony of Rhode Island, etc., 1745-1752, p. 99, p. 101.

change in the form of oath required from plaintiffs and others. This was provided for in the following August.<sup>1</sup>

The circulation of bills of public credit of the colony of three different styles, bearing stated values in coin fixed by legislation, but differing from each other, seemed to require new instructions for the courts as to the method of entering judgments. In August, 1751, in consequence of the depreciation of the bills which had caused many people to complain and that, too, as it was stated with just cause, that they had suffered through the alteration of the medium of exchange established by the colony, it was enacted, that in all debts now or hereafter to become due, for every debt of 64 shillings, old tenor, or 16 shillings new tenor, or 6s. 9d. in bills of March, 1750, the debtor should pay as much in any of the aforementioned bills, as at the time of payment should be really worth one ounce of silver of sterling alloy, and all judgments were to be made up accordingly.<sup>2</sup>

The success of the counterfeitters of bills of public credit caused the passage of a savage act in 1743. Any person convicted of the offence of counterfeiting the bills of any of the New England governments was to have his ears cropped; to be branded with an R on each cheek; to be imprisoned at discretion; to pay double damages and double interest on the amount of the bills while in the possessor's hands and his real and personal estate was to be forfeited to the colony. If without estate he was to be set at work or sold for a term of years.<sup>3</sup>

It can readily be understood that the various transactions called for by the legislation extending the "banks,"

<sup>1</sup> Acts and Laws of his Majesty's Colony of Rhode Island, etc., p. 104.

<sup>2</sup> *Ibid.*, p. 104.

<sup>3</sup> Acts and Laws of Rhode Island, edition 1744, p. 258.



changing as they did the character of the obligations which the mortgages secured and altering the methods of their payment, were likely to cause litigation. So far as legislation could remedy these evils the assembly stood ready to furnish it. In February, 1729, in consequence of the neglect of the borrowers to comply with the terms of the act in relation to new bonds, the grand committee was authorized to put the mortgages of delinquents after a certain date in suit.<sup>1</sup> We have already seen that in 1738 they attempted to meet the case of unpaid interest on estates where the mortgagor had left the colony.<sup>2</sup> As the loans fell due there was more legislation.<sup>3</sup>

The obligations for the loans being independent from those for the interest, new laws were needed as to the method of carrying on litigation in cases of delinquency, and in 1745, the grand committee was authorized to put the bonds and mortgages of such delinquents in suit, and the general treasurer was to sue on the interest bonds.<sup>4</sup>

In August, 1747, an act was passed for appointing committees in each town for the management of the colony's money, let or to be let, on loan, in the several towns. If it be borne in mind that silver that year reached 60s., and that Massachusetts had absorbed the greater part of the early emissions of Rhode Island currency, this announcement of an adherence to the policy of loaning the colony bills in the face of the deluge of paper money in Massachusetts seems inexplicable.<sup>5</sup>

<sup>1</sup> Acts and Laws of Rhode Island, edition of 1730, p. 181.

<sup>2</sup> Acts and Laws of Rhode Island, edition of 1744, p. 206, p. 218.

<sup>3</sup> *Ibid.*, p. 255, p. 261. Acts and Laws of his Majesty's Colony of Rhode Island, 1745-1752, p. 3.

<sup>4</sup> *Ibid.*, p. 8.

<sup>5</sup> *Ibid.*, p. 33.

In February, 1748-49, an act was passed to relieve the grand committee from the disadvantage under which they were placed in being unable to put mortgages in suit until the tenths became due, in cases where the mortgagors had died or left the colony leaving no estate behind them with which to satisfy either interest or principal of the mortgage.

From these attempts to remedy the evils under which the colony labored, and to cure the difficulties in the way of securing the collection of the interest, and a return of the loans of the public bills, it may be conjectured that towards the end of the period of inflation the benefits of the "banks" were not so conspicuous as at first. The temporary abandonment of the loan system in 1745 and the emission of bills, the retirement of which was provided for in future funds, would indicate an awakening sense of the evils of the situation were it not for the immediate recurrence to former methods. The maintenance of the difference in values at which the old and new tenor bills of Massachusetts circulated in that province can be easily comprehended. There was a constant use for them, with the discriminations as to value which were made in the acts of emission, furnished by payments in the public treasury on account of the several funds provided for their retirement. Payments of this sort formed so small a part of the function of the Rhode Island bills, that it is quite possible that it was found necessary to institute these funds in 1745, in order to maintain the differences in value at which the different bills were to circulate in accordance with the terms of the acts of emission.

During the period of the early emissions, it is evident that reliance was placed upon the small silver and the copper coins which still remained in circulation, for

change. The bills issued in 1710, ranged from £5 to 2s, in 1715 from £5 to 1s. In the course of time, even this remnant of the hard money disappeared, and dependence must then have been placed upon the fractional currency furnished by Massachusetts and the convenient method of tearing off a proportionate part of one of the larger bills. In 1744, a provision was made for small change by making the bills range from £2 to 4d, and in 1751, in the proposed issue, the bills were to be from 25s. to 3d. In the bills in ounces which were substituted the denominational values ranged from £16 to 2s.

The ratio of silver to gold furnished by the Massachusetts acts of 1737 and 1744 was 14.7 to 1. The ratio to be derived from the Rhode Island acts was not uniform. In 1740 it was 14.8 + to 1 and 1751, 15 to 1.

In 1751, Barlow Trecothick testified in the House of Commons that sterling exchange was in 1742, from 500 to 550 in Rhode Island bills of public credit.<sup>1</sup> The rate of exchange given by Governor Wanton in 1747 was 750.<sup>2</sup> The bills on the agent of the colony were sold in 1749 at the rate of 1050.<sup>3</sup> Alexander Grant, Esq., testified in the hearing before the House of Commons in February, 1750-51, that exchange was then 1050 to 1100.<sup>4</sup> The committee of the House of Commons having in charge the preparation of an act of parliament for regulating and restraining paper bills of credit in the colonies accepted the statements of Barlow Trecothick and Mr. Alexander Grant and in the preamble to the resolution offered by them March 12, 1750-51, recited

<sup>1</sup> Journals of the House of Commons, vol. 26, p. 120.

<sup>2</sup> Records of the Colony of Rhode Island, etc., vol. 5. p. 230, p. 236.

<sup>3</sup> *Ibid.*, p. 263.

<sup>4</sup> Journals of the House of Commons, vol. 26, p. 120.

the fact that exchange was at the figures given by them on the dates mentioned in their testimony. They also stated "that the value of silver in the colony of Rhode Island hath between the years 1742 and 1749 raised from 28s. or thereabouts ( the value in 1742 ) to 60s. per ounce, or thereabouts ( the value in 1749 )."<sup>1</sup>

The amount of the currency outstanding in February, 1750, was valued by a committee of the assembly in sterling at £45,485, 17s. This amount can be obtained by adding the sterling value of the outstanding bills issued to supply the treasury, to the sterling value of the outstanding loans. It is obvious that the committee regarded the rate of exchange at that time as 1100 currency for 100 sterling. On that basis the circulation was £500,335. There was at that time in the hands of the treasurer an amount of these bills nearly equal to £25,000 and this amount was, perhaps properly, not returned as in actual circulation.<sup>2</sup>

On the 4th of September a number of loyal citizens of Newport, in a petition to the king, alleged that the bills of credit outstanding on loans amounted to £390,000, and those outstanding which were issued to supply

<sup>1</sup> Journals of the House of Commons, March 12, 1750-51, vol. 26, p. 120.

Wright quotes Rhode Island bills in 1759 at £2,300 currency for £100 sterling. The American negotiator, London, 1761, p. v.

<sup>2</sup> This amount of bills issued to supply the treasury was returned by the committee as £135,335 13s. 2d. The amount in the treasury was £24,891 10s. 10d. Deducting the latter gave for the actual circulation £110,444 2s. 2d., which was said to be equal to £10,040 7s. 5d. sterling. Rev. Elisha R. Potter tabulated the returns of this committee, and in his original pamphlet the net sterling value of the outstanding bills issued to supply the treasury, was through a typographical error entered as £1,040 7s. 5d. A brief account of the emissions of paper money, made by the colony of Rhode Island, Providence, 1837, p. 11. The error was obvious, but has created much confusion in the pages of writers who have subsequently treated of this topic.

the treasury amounted to £135,335, making in all £525,335. These figures are evidently taken from the report to the assembly, and differ from the result obtained there only in the failure to deduct the bills then in the treasury.<sup>1</sup>

The assembly were evidently annoyed at this petition, and in June, 1751, a committee reported that the assertion that the outstanding circulation was £525,335 was not at that time true. They did not, however, state what the circulation at that date, in their opinion, really was. Nor did they state what it was in June, 1751. The petition of the Newport citizens had been forwarded for the purpose of preventing, if possible, a threatened emission. In the interval this emission had been made and the currency had been swelled by its amount. It would hardly have strengthened the position of the committee after this attack upon the truthfulness of the petitioners to have shown a circulation largely in excess of the assertions which were impugned.

The Spanish milled dollar was declared, in 1752, to be equal to 56s. old tenor. At 6s., the rate of proclamation money, this was on the basis of  $9\frac{1}{3}$  old tenor for one of lawful money, or taking the sterling value of the dollar at 4s. 6a., exchange was 1244.<sup>2</sup> Thus we see that Rhode Island was still pressing forward in her wild career of inflation when the limitation of our investigation compels us to drop the subject.

<sup>1</sup> The petition of the Newport citizens was modified so that it could be used by "the merchants of London trading to the colony of Rhode Island," and presented to the House of Commons, February 26, 1750-51. *Journals of the House of Commons*, vol. 26, p. 64. Douglass used the report in the same way that the petitioners did, giving the circulation £525,335. A summary, historical and political, etc., etc., by William Douglass, M.D., vol. 2, p. 107.

<sup>2</sup> Acts and Laws of his Majesty's Colony of Rhode Island, 1745-52, p. 105.



## CHAPTER XIX.

### THE EMISSIONS OF THE NEIGHBORING GOVERNMENTS. CONNECTICUT.

Connecticut cannot be held to any great degree of responsibility for the paper money inflation in New England which we are now considering. If we quote from Douglass, we shall obtain an estimate of the feeling which prevailed in Massachusetts in 1739, with regard to the course taken by that colony.<sup>1</sup>

"Connecticut," he says, "a charter colony of industrious husbandmen, having with much prudence emitted only small quantities of bills, silver would have continued with them at 8s. per oz., as it did in New York, their neighboring government westward, if their people had not given a currency to the public bills of their brethren, in the neighboring colonies of New England. Connecticut emitted bills only for the present necessary charges of government upon funds of taxes, until A., 1733, having granted a charter for trade and commerce to a society in New London, this society manufactured some bills of their own, but their currency being soon at a stand, the government were obliged in justice to the possessors to emit £50,000 upon loans, to enable those concerned in the society to pay off their society bills in colony bills; their charter was vacated and a wholesome law enacted, that for any single person or society of persons to emit and pass bills for commerce, or in imitation of colony bills, penalty should be as in case of forgery or counterfeiting colony

<sup>1</sup> A Discourse concerning the currencies of the British plantations in America, p. 13.

bills."<sup>1</sup> We have already seen that this feeling with regard to the responsibility of Connecticut was shared by the authorities of the province of the Massachusetts Bay, as was shown in January, 1748-49, in the letter to the neighboring governments, in which especial mention was made of the regret felt that the bills of Connecticut must be included in the general prohibition of the circulation of bills of the neighboring governments.

The several features which have been noted as marking the progress of the emissions and the consequent depreciation of the currency of the Massachusetts Bay and New Hampshire, can also be traced in the records of Connecticut. The first emission was in 1709 and the bill as described in the act was an exact copy of the Massachusetts bill. By carelessness on the part of the engraver the words "in all public payments" were omitted on the plate. This omission was cured by legislation in May, 1710.<sup>2</sup> The policy of allowing five per cent in payments to the treasury, was adopted from the outset, and this five per cent. was added to the taxes proposed as a fund for calling in the bills. The first fund that was laid, could, according to the terms of the act of emission, be paid in certain produce of the colony,

<sup>1</sup> Douglass was in error in saying that £50,000 were emitted on loans to enable those concerned in the New London society to exchange the bills. £15,000 out of an emission of £30,000 were set apart for that purpose, and not all of that was used. In the "Summary," Douglass refers briefly to the New London society. See vol. 2, p. 181. Dr. Bronson, treating of the same thing in his Historical account of the Connecticut currency, says: "Bills provided for by the acts of Feb., 1732-3, and May, 1733, amounting in the whole to £50,000," etc., etc. As I understand the acts, £30,000 were emitted in February, and the May act was simply a distribution of the amount authorized in February. Dr. Bronson's paper is in the first volume of the New Haven Historical Society papers.

<sup>2</sup> The Public Records of the Colony of Connecticut, vol. 5, p. 157.

as well as in the bills of credit.<sup>1</sup> The next spring it was enacted that in order to give currency to the bills of credit, the fund could only be met in bullion at 8s. an ounce or in bills of credit and in no other way,<sup>2</sup> and the following fall this rule was changed so that the taxes could be paid either in money as it generally passed in New England at the time of payment, or in bills of credit and in no other way.<sup>3</sup> In 1713, the bills of low denomination of the first issue having been altered and the colony flooded with raised bills, a new bill was issued. In this form the words "in all public payments" were deliberately omitted. It was estimated that there were then £20,000 in circulation and an attempt was made to draw in the outstanding bills and compel their exchange within one year for bills of the new issue.<sup>4</sup> In 1726, it was enacted that inasmuch as the dividing the bills of credit into quarters was detrimental, bills thus treated ought not to be accepted by the treasurer in part payments.<sup>5</sup> It is obvious, however, that the practice continued and that the treasurer of the colony not only received bills thus mutilated, but paid them out in this condition, for in May, 1736, the halving and quartering of bills of the denominations of £5, 40s., 20s., 10s. and 5s. was prohibited and the treasurer was forbidden after May 20, 1737, to receive bills of these denominations thus mutilated and was ordered not to pay them out.<sup>6</sup> An effort was then made to force these fragments out of circulation by offering to exchange them at the treasury for whole bills up to a certain date.

<sup>1</sup> The Public Records of the Colony of Connecticut, vol. 5, p. 112.

<sup>2</sup> *Ibid.*, p. 157.

<sup>3</sup> *Ibid.*, p. 166.

<sup>4</sup> *Ibid.*, p. 387.

<sup>5</sup> *Ibid.*, vol. 7, p. 39.

<sup>6</sup> *Ibid.*, vol. 8, p. 34.

This evidently did not accomplish its purpose, as the proposition was from time to time renewed, each time a new limit being set for the period within which the exchange could be made.<sup>1</sup>

In February, 1732-33, an act was passed making it illegal for private persons or societies to emit bills of credit intended for a general currency.<sup>2</sup> This act was occasioned by the circulation of the notes of the New London Society United for Trade and Commerce, an organization to which a charter had been granted by the assembly a few months before.<sup>3</sup> When it was discovered that under guise of commercial dealings the company was attempting to supply its notes as a medium for trade, its career was promptly closed by the governor and its charter was annulled by the assembly. The colony having thus suppressed an attempt on the part of a company of its own creation to furnish a medium of trade to the people, was of course not prepared to submit to the circulation within its borders of the bills of the Massachusetts land bank. In order effectually to prevent this however, more legislation was necessary and in October, 1740, an act was passed imposing a penalty for uttering, rendering or passing any bills or notes whatsoever, which either had been or should be made for a general currency or medium of trade and emitted on the fund or credit of any private person or persons, society or company, whatsoever, either of Connecticut or of the neighboring governments.<sup>4</sup> This act was tem-

<sup>1</sup> The Public Records of the Colony of Connecticut, vol. 8, pp. 134, 264, 372.

<sup>2</sup> *Ibid.*, vol. 7, pp. 422, 540; vol. 8, p. 14.

<sup>3</sup> A detailed account of the career of this society will be found in the portion of this work devoted to banking.

<sup>4</sup> The Public Records of the Colony of Connecticut, vol. 8, p. 353.

porary in character but was made permanent in May 1741.<sup>1</sup>

The currency within the colony of the bills of credit of other governments was not only recognized in the acts against counterfeiting, but provision was made in some of the tax acts for receiving certain of these bills in payment of taxes.<sup>2</sup>

In emitting a new tenor bill in May, 1740, the colony no longer followed in the footsteps of Massachusetts in the form of the bill. Not only was the phraseology changed but the nominal rate of silver was different. The following is the form of the bill as given in the act.<sup>3</sup>

No. (     )     This bill by a law of the Colony of Connecticut shall pass current within the same for Twenty Shillings in value, equal to silver at eight shillings per ounce, Troy weight, Sterling Alloy, in all payments and in the Treasury.

Hartford, May 8th, 1740.

A }  
B } Committee.  
C }

The trouble about the adjustment of debts began in 1718. It was stated that at that time the bills of credit had an universal currency throughout the government and that the whole course of trade since 1709, had been gradually managed and regulated thereby. Debts were generally understood to have been contracted in bills. To prevent oppression by the vigorous exaction of money (which could not be procured but with great difficulty) it was provided that from July 12, 1709, to July 12, 1727, in all cases where the debt was contracted with the real intent on the part of

<sup>1</sup> The Public Records of the Colony of Connecticut, vol. 8, p. 392.

<sup>2</sup> *Ibid.*, vol. 8, pp. 362, 443, 509.

<sup>3</sup> *Ibid.*, vol. 8, p. 319.



both creditor and debtor, that it should be paid in bills even though not expressly so stated, a tender of bills would stay execution.<sup>1</sup> This provision was, in October, 1728, extended until 1735.<sup>2</sup>

In 1740, the new tenor bill was, as we have seen, made by its terms a legal tender. This was not only provided for in the form of the bill, but also in the last paragraph of the act.<sup>3</sup> In November, 1740, instructions were received from the Lords Justices of the Regency to enforce the act of parliament relative to the rates at which foreign coins should pass in the plantations, and at the same time the Lords Commissioners for Trade and Plantations wrote, calling attention to the fact that the legal tender function of the new tenor bills frustrated the act of parliament. In consequence, an act was passed repealing the clause of the act which conferred this quality upon the bills and amending the form of the bill so as to overcome the objection of the Board of Trade.<sup>4</sup> This was accomplished so far as the form was concerned by striking out the word "and". The bill then became current only in all payments in the treasury. It was thought that this might have a tendency to depreciate the bills. To overcome this, the exchange of the new tenor bills was authorized at the treasury, for bills of the old tenor of Connecticut or of the neighboring governments at the rate of £250 per cent. more of the said bills of the old tenor for those of the new tenor that might be brought to the treasurer, or so much per cent. as the old tenor bills aforesaid should bear to the new tenor as therein expressed. Such ex-

<sup>1</sup> The Public Records of the Colony of Connecticut, vol. 6, p. 74.

<sup>2</sup> *Ibid.*, vol. 7, p. 208.

<sup>3</sup> *Ibid.*, vol. 8, p. 321.

<sup>4</sup> *Ibid.*, vol. 8, p. 360.

changes were only to be made during sessions of the assembly.<sup>1</sup>

In May, 1742, an act for regulating coins and currencies was passed. It was based upon royal instructions and an act of parliament. Coined silver of sterling alloy was to pass at 6s. 8*d.* an ounce, and the same was to be accepted, received and taken to be lawful money of and in the colony. The bills of credit were to be regulated in their currency by the said standard according to their current value, which was to be determined from time to time by the assembly. Contracts were to be settled in money or in bills of credit, regulated as aforesaid, and suits at law were to be brought for lawful money.<sup>2</sup> This act was repealed in May, 1744, and it was then enacted that all processes and suits should be brought for the recovery of the coin or currency expressed or plainly understood in the contract.<sup>3</sup>

A spasmodic attempt was made in May, 1747, to cut off the circulation of bills of other governments within the limits of the colony. It was then enacted that for the future the bills of public credit of Connecticut only, or the silver or gold equivalent thereto, should be accepted, taken, or received in that colony.<sup>4</sup> Contracts in these outside bills were declared to be void. This clause was however repealed in the succeeding October.<sup>5</sup>

Preparations for the use of the money to be received from Great Britain in reimbursement for the expenses of the Cape Breton expedition, began in October, 1748, by the passage of a resolution by the assembly, instructing the London agent of the colony to deposit the money

<sup>1</sup> The Public Records of the Colony of Connecticut, vol. 8, p. 360.

<sup>2</sup> *Ibid.*, p. 457.

<sup>3</sup> *Ibid.*, vol. 9, p. 41.

<sup>4</sup> *Ibid.*, p. 282.

<sup>5</sup> *Ibid.*, p. 346.

which he should receive in the Bank of England.<sup>1</sup> This was followed by a vote in May, 1749, that all such allowances of sterling money as should be made by the parliament of Great Britain towards reimbursing the colony in the late expedition to Cape Breton, and such as might be intended for the expenses of the colony in the late intended expedition against Canada should be improved for the calling in and exchanging, sinking and discharging the then outstanding bills of credit made and issued by the colony.<sup>2</sup> When the money was received it was enacted that no part of the exchange should be sold outside the colony.<sup>3</sup> Although the disposition to apply the same heroic method of treatment to the currency question, as that which was successfully carried through the assembly in the province of the Massachusetts Bay, evidently existed in Connecticut at the outset, the courage of the assembly disappeared when brought to the test and the voluntary resumption of of specie payments did not take place.

We can obtain official accounts of the circulation of the public bills of the colony in 1740 and in 1751. In January, 1739-40, Governor Talcott reported to the Board of Trade that there were outstanding of the bills of credit issued against funds £5,738, 16s. 9d. Of those which had been lent there were outstanding £33,594, 9s. 3d, making a total amount then in circulation of £39,333, 6s.<sup>4</sup> The heavy emissions caused by the war-

<sup>1</sup>The Public Records of the Colony of Connecticut, vol. 9, p. 410.

<sup>2</sup>*Ibid.*, p. 447.

<sup>3</sup>*Ibid.*, p. 510.

<sup>4</sup>The entire table, taken from the Connecticut archives, is reproduced by Dr. Bronson. An historical account of the Connecticut currency, by Henry Bronson, M.D., p. 50. New Haven Historical Society Papers, vol. 1, following page 170, with a pagination of its own.

like expeditions began in 1744. £19,000 were issued that year, followed by £40,000 in 1745, and £55,000 in 1746. These emissions were all in new tenor which was rated in the tax acts at the rate of three and one-half of old tenor for one of the new. 'The report in 1751, which has been referred to stated that there was then outstanding £340,218 18s. 7*d.* old tenor.<sup>1</sup> This amount is less than would be obtained by tabulating the emissions and deducting the taxes laid as funds for calling in the bills. It is, however, an official statement of the circulation at that time. £4,000 new tenor the equivalent of £14,000 old tenor, issued in 1744, were to be called in in 1750. To obtain the amount outstanding in 1749, it is probable that we ought to add £14,000 to the amount stated in the report as outstanding in 1751. If we do this we shall have in round numbers the circulation in 1749, as £354,000 old tenor.

<sup>1</sup>The Public Records of the Colony of Connecticut, vol. 10, p. 65, note.

## CHAPTER XX.

### THE LESSON IN ECONOMICS.<sup>1</sup>

It is plain that a study of the statistics connected with the emissions ought to reveal much that is of interest provided the data upon which they are founded are sufficient in quantity, and are accompanied with contemporaneous information which will enable us to develop the effect of the amount of paper money in circulation upon the price of exchange, upon wages, and upon the cost of living. When the subject of the Massachusetts coinage, and proclamation and lawful money was discussed, the attention of the reader was called to the fact that the pounds, shillings and pence in use were not sterling, but New England money, the conversion of which into sterling could be effected by applying a discount of twenty-five per cent. In a similar way it is necessary before entering upon any examination of the statistics connected with the currency to call attention to the fact that during the latter part of the time when these emissions were being made, the presence of bills of the same denomination which were phrased in different forms, and circulated side by side at different values, compelled the selection of the bills of one of these forms as the ordinary measure of value. The choice for this purpose naturally fell upon the old tenor bill. Up to the time of the issue of the new form, current values were stated in old tenor. This would probably have controlled in any event, so long as the old tenor remained in circulation, but the fact that for a

<sup>1</sup> A large part of the material made use of in this chapter was incorporated in a paper read before the American Academy of Arts and Sciences. See Proceedings American Academy of Arts and Sciences, vol. 33, no. 12, February, 1898.



short time the bills of the first new tenor and second new tenor were received by the government at different values, added to the perplexity of the situation, and made it almost imperative for writers to convert the bills of the new tenor into old tenor in making statements of the amount in circulation. When, therefore, it is stated that there was in circulation in 1749, about £1,900,000 of public bills of the province of the Massachusetts Bay, it must be remembered that if the taxes which were laid for the purpose of withdrawing from circulation the old tenor bills, had been paid exclusively in those bills, and the province had accepted the new bills as the measure of values, there would have been a great reduction in the nominal amount of the bills in circulation, and in the stated rate of exchange. Of the bills of the new tenor of all sorts there were in circulation at that time only about £475,000. Exchange measured in these bills instead of being 1100 or thereabouts, would have been only 275. Such facts as these add greatly to the confusion of the situation, but no just appreciation

Periods.	Exchange with London.	1 oz. Silver.	Periods.	Exchange with London.	1 oz. Silver.
A.D. 1702	133	6s. 10½d.	A.D. 1728	340	18s.
1705	135	7s.	1730	380	20s.
1713	150	8s.	1737	500	26s.
1716	175	9s. 3d.	1741	550	28s.
1717	225	12s.	1749	1,100	60s.
1722	270	14s.			

can be acquired of the statements showing the movements of exchange, etc., which I am about to submit, unless the disturbing elements introduced by the emission in 1737 of the new tenor bills are fully considered.

The above table, showing the rate of exchange and the

price of silver at different dates, 1702 to 1749, was made up by Dr. Douglass:<sup>1</sup>

The Suffolk files furnish us with two papers which give the fluctuations in silver somewhat more in detail between 1700 and 1738, inclusive, than can be found in the foregoing table.<sup>2</sup> This record, which follows, is copied from a book kept by Edward Winslow, who was sheriff of Suffolk county, and it has, therefore, a certain official character.

Years.	Rate of silver per ounce.	Years.	Rate of silver per ounce.	Years	Rate of silver per ounce.
1700 to 1704.	7s.	1721	{ 12s. 6d., 13s. 13s. 6d.	1731	{ 18s. 6d. 19s.
1705 to 1710.	8s.	1722	14s., 14s. 6d.	1732	{ 19s. 6d. 20s. 20s. 6d.
1711-----	8s. 4d.	1723	{ 14s. 6d., 15s. 15s. 6d.	1733	{ 21s., 21s. 6d. 22s., 22s. 6d. 23s.
1712, 1713 --	8s. 6d.	1724	16s., 16s. 6d.	1734	{ 24s. 25s. 26s. 26s. 6d. 27s.
1714, 1715 --	9s.	1725	16s., 15s.		
1716, 1717 --	10s.	1726, 1727	16s.	1735	27s. 6d.
1718-----	11s.	1728	{ 16s. 6d., 17s. 18s.	1736	27s., 26s. 6d.
1719-----	12s.	1729	{ 19s., 19s. 6d. 20s. 21s. 22s.	1737	26s. 6d., 27s.
1720-----	12s. 4d.	1730	21s. 20s. 19s.	1738	27s.

<sup>1</sup> Douglass's Summary, historical and political, etc., vol. 1, p. 494. Quoted by Holmes, American annals, vol. 2, p. 178. Copied from Holmes by Gouge, A short history of paper money and banking in the United States, including an account of provincial and continental paper money, etc., by William M. Gouge, 1833. Part 2, p. 7.

<sup>2</sup> Suffolk Files, 40,289 and 46,659. The decline shown in Winslow's table in 1730, 31, 32, is recognized by Shirley in his speech, May 25, 1743. See House Journal.

A table which was incorporated in the draught of an act which failed of passage and which included the rates from 1710 to 1727, has already been given.<sup>1</sup> The following table which includes not only the price of silver but also the premium on exchange from 1713 to 1730, will be found useful for purposes of comparison. It is taken from a pamphlet entitled, "An Enquiry into the state of the bills of credit of the province of the Massachusetts Bay in New England in a letter from a gentleman in Boston to a merchant in London," 1743 :

Yrs.	Price of silver.	Exchange.	Yrs.	Price of silver.	Exchange.
1713	8s. 4d. p. oz.	50 pct. advance	1722	14s. p. oz.	160 pct. advance
1714	9s.	60	1723	15s.	160
1715	9s.	60	1724	16s.	200
1716	9s. 2d.	60	1725	16s.	200
1717	10s.	60	1726	16s.	200
1718	11s.	100	1727	16s.	200
1719	12s.	110	1728	16s. 6d.	200
1720	12s. 4d.	110	1729	19s.	240
1721	12s. 6d.	130	1730	18s. 6d.	240

The following is taken from Wright's "American Negotiator", which says that "A state of all the degrees of depreciations in the respective years the variations or changes happened, from the year 1702 to the year 1749,

Years.	Exchange.	Oz. of silver cur.	Dollar ster.
1702 -----	133	6s. 10½d.	4s. 6d.
1705 -----	135	7s. 0d.	4s. 6½d.
1713 -----	150	8s. 0d.	4s. 7½d.
1716 -----	175	9s. 3d.	4s. 7d.
1717 -----	225	12s. 0d.	4s. 7½d.
1722 -----	270	14s. 0d.	4s. 6½d.
1728 -----	340	18s. 0d.	4s. 7d.
1730 -----	380	20s. 0d.	4s. 7½d.
1737 -----	500	26s. 0d.	4s. 6½d.
1741 -----	550	28s. 0d.	4s. 5d.
1749 -----	1,100	60s. 0d.	4s. 8½d.

<sup>1</sup> See ante, p. 90.

both by the ounce and dollar, that correspond with the said depreciation, are set down in the following [foregoing] table."

In the "Diary and Letters of His Excellency Thomas Hutchinson, Esq., by Peter Orlando Hutchinson, Boston, 1884," on page 53, the following is to be found: "So early in his life as the year 1736 he published a small pamphlet on the subject [currency]." Note. On the fly leaf at the beginning of his Almanac for 1770, he has jotted down the rates of silver for a long series of years. The memorandum stands thus:<sup>1</sup>

#### RATES OF SILVER IN

1714	8/6	1725, 6	15/6	1738	27/
15	9/2	30	18/	39	28/6
16, 17	12/	31	19/	44	30/
21	13/	33	21/	45	36/
22	14/	34	25/	46	36/38/
					40/ and 41/
24, 5	16/	37	26/6	47	50/
					55/ and 60/

In 1700 the province was practically on a specie basis and exchange was quoted at its normal rate, 133 $\frac{1}{3}$ . Silver was, however, rated in some of the tables at 6s. 10 $\frac{1}{2}$ d., and in others at 7s. The former rate is given in Douglass's table, and is practically approved by Hutchinson.<sup>2</sup> If the piece of eight of 17 dwt. was permitted to circulate for six shillings, the rate of silver to be derived therefrom was as we have heretofore seen, 7s. 3f. an ounce, while on the other hand the rate to be

<sup>1</sup> An affidavit taken July 31, 1734, in a suit in Middlesex county, fixes the rate of silver in November, 1714, at 8s. 10d. an ounce, and goes on to say, "which makes in every twenty shillings about five and eight pence difference between silver att seventeen peneweight and province bills, and in the year 1718 ye difference silver at 17 pwt and province bills was about ten and sixpence on ye pound." Suffolk files, no. 37,652.

<sup>2</sup> History of Massachusetts (ed. 1795), vol. 2, p. 393.

derived from the weight required in the proclamation for the piece of eight, which should circulate at six shillings, was 6*s.* 10 $\frac{2}{7}$ *d.* per ounce. The general rating of the period appears, however, to have been that given by Winslow, 7*s.* per ounce. A committee of the general court recommended that pieces of eight should pass at 7*s.* per ounce in 1701.<sup>1</sup> Another committee in 1703, proposed that plate, bullion and silver of sterling alloy should pass at 7*s.* per ounce.<sup>2</sup> Seven shillings may, therefore, be adopted as the generally accepted value at that time.<sup>3</sup> December 27, 1704, Dudley announced that he had received the proclamation.<sup>4</sup> On the 3d of March, 1704-5, the council passed an order that no money should pass by tale, but what was of due weight, according to her Majesty's proclamation. Light money and plate of sterling alloy were to pass until further provision should be made at the next session of the assembly at seven shillings per ounce. The house non-concurred and the governor summoned them to a conference. After the conference, the order was amended by striking out the seven shilling and making it read that light weight coins, etc., should pass and be good in payments by the ounce Troy, *pro rata*, until the end of the session of the court in May.<sup>5</sup> On the same day Dudley issued a proclamation to that effect.<sup>6</sup>

All through the provincial legislation 6*s.* 8*d.* is treated as the normal value of the ounce of silver in terms of

<sup>1</sup> Mass. Arch., vol. 101, no. 184.

<sup>2</sup> Mass. Court Rec., vol. 7, p. 373.

<sup>3</sup> The author of "Observations on the scheme projected for £60,000 in bills of a new tenor," p. 18, gives the rate in 1702 at seven shillings. The same author, however, in "An inquiry into the nature and uses of money," etc., p. 4, gives the rate the same year as eight shillings.

<sup>4</sup> Mass. Court Rec., vol. 8, p. 95.

<sup>5</sup> *Ibid.*, vol. 8, p. 113.

<sup>6</sup> Mass. Arch., vol. 101, nos. 287 and 290.



lawful money. The London price at the same time was 5*s.* 2*d.* sterling. This sterling rate was occasionally recognized in some of the enactments. For instance, in January, 1741-42, it was enacted "that five shilling and two pence of all grants and establishments which have been made in sterling money as aforesaid, shall be paid by six shillings and eight pence of the bills hereby emitted." With exchange at 133  $\frac{1}{3}$  and silver at 5*s.* 2*d.* sterling an ounce the value in lawful money would have been 6*s.* 10  $\frac{2}{3}$ *d.* per ounce. The effect of this act was therefore that 6*s.* 8*d.* should perform the duty of 6*s.* 10  $\frac{2}{3}$ *d.* The question naturally arises whence came this rate of 6*s.* 8*d.*? It is probable that it dates back to the days of the colony when silver plate was rated at 5*s.* per ounce.<sup>1</sup> This was before the days of the mint and was nominally a sterling rating. 5*s.* sterling would be the equivalent of 6*s.* 8*d.* lawful money. Its use would in that event have been merely traditional, but a traditional rate might have fixed itself upon a purely representative money.

According to Hutchinson an entirely new weight was assigned to the piece of eight which should pass for six shillings, at the time of the resumption of specie payments which carried with it a new standard for the value of the ounce of silver. He says, "It was thought best to conform to Queen Ann's proclamation and to establish a currency at the rate of six shillings a milled dollar,

<sup>1</sup> Mass. Col. Rec., vol. 1, p. 294, May 13, 1640. "And it was ordered that in payment silver plate should passe at 5*s.* an ounce." See also A discourse on the currencies, etc., p. 24, where Douglass, speaking of the effect of the depreciation of the currency on the salaries of clergymen, says, the preachers "when silver was at 5*s.* had £3 per week; at present silver at 20*s.* per oz., they have only £6 to £8, equal to 40*s.* of former times." The quotation heretofore given (p. 27) from Professor Sumner's "Coin Shilling," shows that we must go back to 1600 to find this 5*s.* London rate for silver.

for, although silver by the act of the province is made the standard at 6s. 8*d.* the ounce, yet at the same time a milled dollar was allowed to pass at 6s. and everybody expected by this means to exclude hammered pieces of eight from our currency, and this has been the effect, and in fact silver is our standard by law at 6s. 10*d.* the ounce, supposing a dollar to weigh 17 dwt. 9 grains."<sup>1</sup>

Douglass saw that through the changes made in the allowances to the governors and in the *per diem* pay which the members of the General Assembly voted to themselves, a sort of scale could be constructed with which to measure the diminution of the purchasing power of the bills, and he therefore put together the following table.<sup>2</sup>

A.D.	1702.	1720.	1730.	1740.	1743.	1745.	1747.	1748.
Gov'rs.	Dudley	Shute	Belcher	Belcher	Shirley	Shirley	Shirley	Shirley
Per an	£600	£1,000	£2,400	£3,600	£5,400	£9,000	£7,000	£9,000
Counc'.								
Per day	5 <i>s.</i>	6 <i>s.</i>	10 <i>s.</i>	15 <i>s.</i>	18 <i>s.</i>	18 <i>s.</i>	30 <i>s.</i>	40 <i>s.</i>
Rep'tves.								
Per day	3 <i>s.</i>	4 <i>s.</i>	6 <i>s.</i>	10 <i>s.</i>	12 <i>s.</i>	12 <i>s.</i>	20 <i>s.</i>	30 <i>s.</i>
Rates . .	£6,000	£6,000	£6,000	£35,000	£60,000	£120,000	£198,324	£384,972

The growth of the rates or annual charges of the government is almost as instructive as the advance of the pay of the legislators, but is of course complicated by causes outside the currency. The changes in the pay of

<sup>1</sup> This was from an article published in the *Boston Evening Post*, December 14, 1761, and reprinted by a writer who differed from Hutchinson in some of his conclusions, in a pamphlet entitled, *Considerations on lowering the value of gold coins within the Province of the Massachusetts Bay*. [1762.]

<sup>2</sup> Douglass's Summary, historical and political, etc., vol. 1, p. 508.

the councillors and representatives, as laid down in the province laws, are as follows :

A.D.	1692.	1714.	1728, 1737.	1738, 1740.	1741.	1742, 1746.	1747.
Councillors :							
Per day-----	5s.	-----	10s.	15s.	12s.	18s.	30s.
Representatives :							
Per day-----	3s.	4s.	6s.	10s.	8s.	12s.	20s.

It will be seen that the records practically confirm Douglass's table, so far as the *per diem* pay of the legislators is concerned, the brief variation in 1741 not being of sufficient importance for consideration. The increase in the governor's pay in 1748, would indicate a probable increase at the same time in the pay of the councillors and representatives ; but there is no record preserved of any action on this point. The annual tax acts all contain statements of the amounts respectively levied for the province tax and for representatives' pay and fines. If the service of the representatives had been uniform each year, we could test the table by a comparison of the appropriations for representatives' pay for different years ; but an examination of these amounts from year to year shows that the growth to be found there does not exactly follow the law which would be deduced from the amounts of the *per diem* pay. It is a fact, however, that while the amount assessed in June, 1747, for representatives' pay and fines, was £2,878 11s. 6d., the corresponding amount in the levy next year was £4508 5s. The presumption is that Douglass was correct in the figures which he gave for the pay of the councillors and representatives in 1748.

It is difficult to trace in the records the allowances made to the governors and lieutenant governors during

the early days of the province, but in 1729, the house of representatives published an account of the proceedings of the assembly in connection with the appropriations made for these purposes.<sup>1</sup> From this it appears that Phips was allowed £500 in March 1692-93 and £500 in October, 1694.<sup>2</sup> Stoughton, who as lieutenant governor succeeded to the performance of his duties, was allowed £200 in 1695, £300 in 1696, £250 in 1697, and £300 in 1698. Bellomont had £1,000 in 1699 and £1,000 in 1700. In 1701, Stoughton was allowed £200. Dudley received practically £500 per annum during his term of office, and Tailor who as lieutenant governor performed the duties of the office until Shute arrived was allowed £500. Shute was at first allowed £1,200, but this was afterwards cut down to £1,000. The allowances to Dummer after Shute's departure were irregular, but practically amounted to a salary of £800. Burnet would not take the allowance in the form in which it was granted. Belcher's first allowance was £2,400; from 1731 to 1737 inclusive, he was allowed £3,000 per annum; then for three years the sum was fixed at £3,600. From this point Shirley's allowance was advanced by stages to £5,400, £5,760, £6,000, £7,600, and finally it was in 1748 £9,600.

It was stated by a contemporary writer<sup>3</sup> that there was

<sup>1</sup> A collection of the proceedings of the great and general court or assembly of his Majesty's Province of the Massachusetts Bay in New England, containing several instructions from the crown, to the council and assembly of that province, for fixing a salary on the governour and their determinations thereon—as also, the methods taken by the court for supporting the several governours since the arrival of the present charter. Printed by order of the House of Representatives. Boston, 1729.

<sup>2</sup> A further allowance of £500 was given in June, 1694. *Acts and Res. Prov. Mass. Bay*, vol. 1, p. 174.

<sup>3</sup> The second part of South Sea stock, p. 22.

in circulation in the four New England colonies, when the first issues of province bills were made, about £200,000 in silver. Douglass<sup>1</sup> says that in 1713 one third in value of the circulating medium of the New England governments was silver, and the other two thirds paper. The bills he estimated at £175,000. Silver was then rated at 8s. per ounce. They were therefore equivalent to 437,500 ounces of silver. He called them 438,000 ounces, and thus got a total of 657,000 ounces. A comparison of some of these estimates may be useful.

Year.	Silver in circulation.	Bills in circulation in all New England.	Rate of silver per ounce.	Corresponding ounces of silver in circulation.	Value of circulation at 6s. 8d. per ounce.
1700--	£200,000	-----	7s.	571,428	£190,476
1713--	219,000 oz.	£175,000	8s.	657,000	219,000
1718--	-----	300,000	12s.	500,000	166,666
1731--	-----	470,000	20s.	470,000	156,666
1739--	-----	630,000	29s.	434,482	144,827

If there is any rule to be deduced from the foregoing table it would seem to be substantially the same as that laid down by Douglass :<sup>2</sup> "The more paper money we emit, our real value of currency or medium becomes less, and what we emit beyond the trading credit of the country does not add to the real medium, but rather diminishes from it by creating an opinion against us, of bad economy and sinking credit."<sup>3</sup>

<sup>1</sup> A discourse, etc., p. 29. The author of "An enquiry into the state of the bills of credit, etc.," 1743, on p. 6, says that in 1712 silver was reckoned to be one-third of what the paper currency amounted to.

<sup>2</sup> A discourse concerning the currencies, etc., pp. 29, 30.

<sup>3</sup> The author of *An enquiry into the state of the bills of credit, etc.*, etc., says, p. 43, "the immoderate emissions of bills since that time [1712] instead of increasing have much diminished the medium of trade."



The apparent exception to the rule, in the excess in the purchasing capacity of the circulation shown in 1713, may be capable of explanation. When the colony began the emission of public bills of credit there was in circulation an amount of silver practically adequate for the transaction of local business affairs. Until it had been totally displaced and superseded by paper money, any estimate of the amount remaining in circulation at any given time must have been conjectural. Douglass's estimate of one-third in circulation in 1713 may have been too high, and was indeed disputed by one of his contemporary controversialists. Whether this be so or not, time was required for the emissions to produce their effects upon the discount of the bills and the displacement of silver, and it is quite probable that the £50,000 emitted for the Hill and Walker expedition against Quebec in 1711 had not then fully done its work. Still another exception to the rule is to be found in 1749. There were outstanding that year in the month of May, about £2,120,000 old tenor. A tax of £75,000 new tenor was laid that summer. This was equal to £300,000 old tenor, and reduced the amount outstanding to £1,820,000, or, as it was then generally stated, £1,900,000. Silver was then quoted at 60s. an ounce, and the outstanding circulation, thus reduced, taking the contemporary estimates as our basis, was equivalent to 633,333 ounces, which at 6s. 8d. an ounce was equal to £211,111. It must not be forgotten, however, that when that tax was laid it was known that the government of Great Britain had completed its preparations for reimbursing the province for its expenditures in behalf of the Cape Breton expedition, and a law had been passed in the province fixing the terms of the redemption of the bills. These exceptions, therefore, do

not furnish adequate reasons for doubting the correctness of the rule deduced by Douglass.

The influence of large emissions on the part of the province of the Massachusetts Bay upon the silver quotations can be easily distinguished, and in some instances, where the rise of silver was stimulated by causes not connected with the issues of this province, the coincidence with large emissions in Rhode Island furnishes an adequate explanation of this change in rate. Douglass was of opinion that two thirds of the bills emitted by Rhode Island were absorbed in the circulation of Massachusetts.<sup>1</sup> The following table mainly made up from facts brought together by Douglass in his pamphlets, will illustrate these points.

Year.	Rate of silver per ounce.	Loans and extraordinary emissions.
1700--	7s.	
1706--	8s.	
1712--	8s. 6d.	£50,000 advanced account Quebec expedition.
1715--	9s. 2d.	£50,000 loan, 1714; £40,000, R. I., 1715.
1717--	12s.	£100,000 loan.
1722--	14s.	£50,000 loan, 1721; £40,000, R. I.
1728--	18s.	£60,000 loan, 1727; £40,000, R. I., 1728.
1732--	21s.	£60,000 R. I. loan, 1731.
1733--	27s.	£76,000, 1733; £104,000, R. I.; £50,000, Conn.
1738--	29s.	£100,000 R. I. loan.

Wages did not rise proportionately with silver. In a pamphlet published in 1721, when silver was between 12s. and 13s. an ounce, the writer says,<sup>2</sup> "I will next ask the poor laborer that works for five shillings per day, half money, half goods, whether he lives better now than

<sup>1</sup> The author of *An enquiry into the state of the bills of credit of the province of the Massachusetts Bay, etc., etc.*, puts this at five-sixths, p. 44.

<sup>2</sup> The second part of *South Sea stock*, p. 16.

when he received four shillings per day in good silver money at the rate of seventeen penny-weights for six shillings." Another pamphleteer writing at this time, sets forth the effect upon the agriculturist as follows: "We formerly sold butter sixpence a pound, that sixpence would buy two pounds of sugar, and if we now have ninepence a pound for butter, that ninepence will buy but one pound of sugar or thereabouts."<sup>1</sup> Douglass, writing in 1739 concerning the effect of the depreciation on wages, says:<sup>2</sup> "How much they have suffered and continue to suffer is obvious. For instance, a carpenter, when silver was at 8s. per oz., his wages were 5s. a day all cash. The Town House, A. 1712, was built at this rate; whereas at present, A. 1739, from the bad influence of paper money, silver being 29s. per oz., he has only 12s. a day, equal only to 3s. 4d. of former times; and even this is farther reduced, by obliging him to take one half in shop goods at 25 per cent. or more advance above the money price." He then proceeds to show how the purchasing power of the day's wages has diminished, selecting butter for his illustration on the ground that it rose the most uniformly of all provisions. When wages were 5s. per day, butter was 4d. per pound, and the laborer could buy 15 pounds with one day's wages. His 12s. would only purchase 7 pounds, butter being then 20d. a pound. The salaries of clergymen had more than doubled, but the original purchasing power of the salaries had been diminished by thirty-three per cent.

The form of the public bill has already been indicated. It was in effect a certificate of indebtedness, and

<sup>1</sup> The present melancholy circumstances of the province considered, etc., p. 12.

<sup>2</sup> A discourse concerning the currencies of the British plantations in America, etc., pp. 23, 24.

on that theory, when it found its way back to the treasury the debt was extinguished, and the temporary function of the bill was performed. Under this theory the amounts originally issued each year were simply intended to meet the immediate needs of the government, and provision was made for their retirement in the next tax bill. The withdrawal from circulation, and the locking up in the hands of a treasurer, of large sums collected by taxation, is recognized as a serious disturbance to the circulating medium of a government, and various devices are to-day resorted to in order to prevent as far as possible the consequent reduction of the circulation. In a similar way, after the country became dependent for a circulating medium upon the amounts thus annually emitted, the sudden emission and the withdrawal each year of so large a proportion of the medium of trade must have created a serious disturbance in commercial affairs, and the cry of a scarcity of bills during the period of the year when the taxes were being collected was based upon a genuine want, even when the bills were most abundant. The increase in the amounts issued, the postponement of the periods for retirement, and the distribution of the withdrawals over several years, were only partial remedies for this evil. Confidence in the bills was based upon their ultimate withdrawal, and the greater the emissions the greater the taxes that must be levied to provide for their retirement. While this was evidently true, and while there were indications that pointed to a loss of confidence in the bills when the assembly failed to provide the promised fund for the withdrawal of an emission, yet it cannot be doubted, however paradoxical it may seem, that whenever a fund was called in for the purpose of redeeming the government promises and maintaining confidence in

the bills, it was expected that there would be an emission to fill the gap thus occasioned in the circulating medium.

The emissions in Massachusetts from 1702 to 1749 reached the sum of £4,634,700, while the withdrawals during the same period, including the £300,000 in 1749, were £2,814,900. It was doubtless to overcome the disturbance occasioned by this annual process of absorption and emission, that the system of distributing bills of public credit among the inhabitants, on loans secured by real estate, was resorted to. £310,000 was thus put out at different times. The first loan was to the Boston merchants who furnished supplies for the Quebec expedition in 1711. This was only a temporary loan, to enable them to carry the sterling exchange paid to them by the paymasters of the expedition, until it should be met in London. In 1714, when it was about to be paid, it was replaced by a loan of £50,000 to the inhabitants of the province. The first loan being for a specific purpose, and temporary in its nature, did not affect the price of silver, but the second seemed to mark a policy on the part of the government, and its emission is selected by Douglass as the point where silver began its flight. When the first instalment of this second loan fell due, in 1716, £100,000 were put out in a similar way, and this was followed by £50,000 more immediately after the last instalment on the first popular loan was payable, in 1721. When by the terms of these loans they should have been retired, a new loan of £60,000 was made, and doubtless this process would have been continued but for the interference of the Board of Trade. The meaning of the attempt is obvious. The assembly were seeking to furnish a medium for trade, which should



not be subject to the annual calls for retirement under which bills for government expenditures were issued.

Among the various experiments then made there were but two attempts to give these bills a credit based upon a promise that they should be paid in coin, the first being of little consequence, as it applied to only £1500 emitted in 1693.<sup>1</sup> The promise in this, as well as in the later and more important instance, was not on the face of the bill, but was in the act of emission, and in the second case was so worded that in practical operation it did not prove beneficial for the bills in question. The act under which the £9,000 in bills of the first new tenor were emitted in February, 1736-37, contained a provision for levying a tax in 1741, adequate for their retirement, payable not only in the bills themselves, but in old tenor bills or in certain produce. If by chance it should happen that any of these new tenor bills should be outstanding at any time after December 31, 1742, the possessor was to be entitled to receive from the treasurer for every six shillings and eightpence in these bills, an ounce of silver or the like value in gold. All of the first new tenor bills were issued with this promise of redemption in December, 1742, attached, and all of them were declared to be in value equal to silver at six shillings and eightpence an ounce, an estimate which was above the true rating of silver based upon sterling exchange, as has already been pointed out, and also above the rate at which the bills circulated, as appears from the discussions which subsequently took place in connection with the adjustment of debts. It may be necessary to recall to the mind of the reader, the following

<sup>1</sup> The delusive promises to be found in some of the later acts of emission, to the effect that the silver and gold which should be received for commodities turned in by tax collectors were to be held for the benefit of possessors of bills, were not entitled to grave consideration.

facts, which have already been fully set forth in chronological sequence in the narrative of events heretofore related. Their repetition here is necessary if we would group together facts of interest in economic study. The first of the new tenor bills were declared to be worth three times as much as bills of the corresponding denominations of the old tenor form, and were to be received by the treasurer on the basis of one of the new tenor for three of old tenor. In January, 1741-42, when the second new tenor form was first issued, the bills were rated in the act on the basis of one of the form mentioned in the act for four of old tenor, no provision being made in the act for their redemption in coin. From that time until December, 1742, the province saw circulating side by side two forms of bills, each declared to be equal to silver at six shillings and eightpence an ounce, one of these forms being rated in the statutes in old tenor, at a premium of  $33\frac{1}{3}$  per cent. above the other, and the bill that was at a discount having behind it a specific pledge for its redemption in coin within less than twelve months. It was also true that at the same time Rhode Island bills issued on twenty-year loans, to an amount vastly disproportioned to the resources of the colony, when compared with the relation of the Massachusetts bills to the resources of that province, were freely received at a premium above these first new tenor bills. It is possible that the discredit in which these bills were held during the spring and summer of 1742 was intentional, for the assembly, just in time to save the credit of the province, made provision for the exchange of such as were outstanding December 31, 1742, on terms nearly equivalent to their redemption in coin. Thus ended this absurd attempt to give credit to the public bills by promising to redeem

in silver and gold such as were outstanding after the fund provided for their withdrawal from circulation should be closed. How far it may have affected public opinion at the time, and prevented a more liberal and reasonable attempt at the establishment of a currency redeemable in coin on demand, must be a matter of personal judgment, but it will be admitted that this experience was capable of an interpretation in the hands of those hostile to such a movement which would have militated against any such experiment.

I have prepared and submit herewith a table<sup>1</sup> showing the various amounts annually emitted, inclusive of loans from 1702 to 1750. In parallel columns with these, the amounts retired each year and the amounts left outstanding are given, the withdrawals being made up on the assumption that the loans were called in when due. It is known that this was not the case, but it would be impracticable to attempt to follow these payments in detail. It is also known that the tax collectors were at times delinquent in their returns, so that the funds provided for the withdrawal of the bills were not collected according to the terms of the legislation, but in the long run these things took care of themselves.

During the entire period of the emissions, the impost and excise were regularly pledged for the protection of the bills of public credit, and during the latter part of the time, not only these, but all public dues were thus pledged. No recognition is had in the tax levies of the effect of the impost and excise upon the retirements, until 1714, and it might seem that this fact would be fatal to the value of the table. As a matter of fact, when the table was originally constructed, it was not expected that it would yield results of value concerning

<sup>1</sup> See Appendix.

the circulation, the sole object of its preparation being at that time to ascertain when and to what extent the assembly were delinquent in the redemption of their pledges for the retirement of the bills. An examination of the subject, however, revealed the fact that from time to time there were apparent adjustments of these matters, including therein a part at least of the interest money derived from the loans. Inasmuch as the province did not derive direct benefit from some of these loans, their influence upon the revenue is proportionately reduced. After 1714, questions concerning the effect of public dues upon the circulation can no longer be raised, since in the tax levy, allowance is made each year for the amount expected to be received from these sources. In 1706, the tax levy fell short of the funds pledged by £3,500 and it was stated that the impost and excise were relied upon to make this amount good. In 1710, it was stated that the treasurer's accounts showed that the pledged impost and excise funds exceeded the bills then outstanding by £11,000.<sup>1</sup> Of the funds then pledged there were £11,000, due in 1709, £11,000 due in 1710, £11,000 due in 1711, and £11,000 due in 1712, for which no taxes were levied. Beginning with 1714, a certain amount was estimated each year as the probable contribution of these special taxes towards the revenue of the province, and this was deducted from the sum of the funds pledged for that year. The remainder was the sum to be laid as a province tax. To meet deficiencies £3,572 3s. 1d. interest money was appropriated in 1716,<sup>2</sup> and again, in 1718, £13,250 was levied for the same purpose. In 1739, and again in 1741, no tax was levied. Funds were pledged for these years, £37,500 in 1739,

<sup>1</sup> Acts and Res. Prov. Mass. Bay, vol. 1, p. 668.

<sup>2</sup> *Ibid.*, vol. 2, p. 33.

and £27,000 in 1741, and if no special apportionment should be made by the assembly when the funds became due, the treasurer was authorized to levy the taxes, making use for that purpose of the last previous apportionments. There can be but little doubt that the treasurer acted under this authority, for in January, 1742, the assembly laid new funds for the bills outstanding, alleging in the preamble of the act through which this was accomplished that there were then outstanding £100,125. The several funds representing this amount can be easily identified. They do not include the funds of 1739 and 1741, and they agree perfectly with the running account kept by the assembly in their tax levies, if it be assumed that the impost and excise took care of the balance not provided for by taxation before 1714. There is still one other complication which is yet to be considered, that which arose from delinquencies. It is known that at times the collectors were greatly in arrears in their returns, but it may be inferred that Shirley, when he set himself to work to cure this evil, was able practically to do so. In 1746, £32,000 were appropriated to cover deficiencies and from these various deficiencies, appropriations, and separate adjustments, it may be concluded that a table of this sort will furnish an approximate view of the course of the currency inflation. The destruction of the account books of the treasurer in the fire of 1747, will probably prevent any more satisfactory method of obtaining information on this point from being adopted.

The emissions in the table are procured from the acts and resolves of the General Court. The tax acts furnish the withdrawals or retirements. The figures to be obtained from this table correspond approximately in their final result with those given by contemporary wri-



ters as to the amount outstanding in 1749. There are some fragments of treasurer's statements and some committee reports showing the amounts outstanding at different dates. These reports require examination before they can be applied to test the accuracy of this table. The treasurer was apparently accustomed to charge himself with all bills which were emitted against future funds, but the bills intended for loans he charged to the commissioners of the loans, and they made their reports direct to the assembly. The treasurer's reports, therefore, as to the amount of bills outstanding at any given date require correction by the addition of the loans then outstanding to the net amount with which he stands charged after having deducted from the emissions the credits to which he was entitled.

The diagram setting forth the disappearance of the silver circulation of the province and the line of growth of the currency shows also the corresponding movement which took place in the price of silver, all values being stated in the old tenor currency of the province.<sup>1</sup> If, when these bills were first emitted, the claim was well founded that there was need for an addition to the circulating medium, it might have been possible to maintain the bills at par until the bills and the silver then in use were in excess of the trading wants of the province. The circumstances of the province necessarily controlled and limited its trading capacity. A greater amount than was needed could not have been kept in circulation. Hence the maintenance at par of an adequate substitute for the silver could only have been attained by the displacement of that metal. If the currency had remained at par up to the point suggested, there would have been no necessity for considering the relations of the increase

<sup>1</sup> See Appendix.

of the currency to the decrease of the silver. Each emission of bills would have required the displacement of a corresponding amount of coin in order that it should circulate. As a matter of fact, however, the rise of silver began almost as soon as the province adopted a form of bills of its own. Up to 1702, use was made of the colony bills, to meet by emissions the extraordinary wants of the province. The adoption at that date of a form of bill specially adapted to the use of the government was a practical announcement that the policy of emitting public bills was to be continued, and was followed so promptly by a rise in silver that the quotation in 1704 shows an advance of a shilling. The displacement of silver was apparently slower in taking effect, so that it would appear that the bills increased slightly the purchasing capacity of the circulation for a few years.

The rise in silver in 1705, which is recognized by Winslow in his table, occurred at a time when quotations are difficult to obtain, and are not harmonious in character. It was in the spring of that year that the council endeavored to secure the passage of an order that no money should pass by tale but what was of due weight according to her Majesty's proclamation, while light weight coins and plate of sterling alloy were to pass at seven shillings per ounce. In this the council failed and they secured from the representatives, as a recognition of the proclamation, only the concession that light weight coins, etc., should pass and be good in payments by the ounce *Troy pro rata* until the end of the session.<sup>1</sup>

In 1706, however, according to Douglass, "the courts of judicature, chancered silver to 8s. per oz. in satisfying of debts, being nearly after the rate of 6s. a light piece

<sup>1</sup> See p. 371, ante.

of eight then current." This was a recognition of the well established fact that there were no full weight coins then in circulation,<sup>1</sup> and since the depreciation had been imposed upon the silver in circulation, through the permissory currency of light weight coins, it enabled the paper money of the province to remain for a time nominally at par. Douglass says, in continuation of what has just been quoted, "At this rate Silver and Province Bills continued at Par until A. 1714." This par was, of course, delusory, since it was not measured in full weight coin. Professor Sumner says, "In 1700-12 in New England, silver was at 8 shillings per ounce, which meant that the current piece of eight, assumed sterling, weighed 360 grains. Par of exchange was about 155."<sup>2</sup> At a later date even the light weight money fled, and then came the resort practically to the rate fixed by the statute of 1697, for the piece of eight, for a standard by which to measure the discount of the paper money in circulation.

The graphic delineation of the disappearance of the silver<sup>3</sup> is based upon the statement of one of the pamphleteers of the day as to the amount of silver required for the trade of New England,<sup>4</sup> and the assertions of Dr. Douglass that there were 219,000 oz. still remaining in circulation in 1713, which had entirely disappeared in

<sup>1</sup> Prof. Sumner gives several references upon this point in his article in the *American Historical Review*, July, 1898, p. 614. The author of *The second part of South Sea stock, etc.*, says, p. 15: "Before our paper-money, or rather after the coming out of some of it, we fell into a very great disorder relative to our silver money. When it was brought to go by tale, evil minded men made a trade of clipping, rounding, filing and debasing the money; and by that means our paper bills in some measure lost their credit, being equal but to that light money then passing."

<sup>2</sup> *American Historical Review*, July, 1898, p. 618.

<sup>3</sup> On the diagram showing the movement of silver. See Appendix.

<sup>4</sup> *The second part of South Sea stock*, p. 22.

1718.<sup>1</sup> Since the disappearance of silver was practically simultaneous throughout New England, the only effect of adjusting this representation to the proportion in use in Massachusetts alone, would be to reduce slightly the area included between the two curves. The main features would be the same.

With regard to the time of the disappearance of silver, it is not improbable that the £100,000 loan at the end of 1716, following so closely the £50,000 loan of 1714, caused the coin to be hoarded in 1717. Then came the process of adjustment, through which the silver rate reduced to its just proportion a paper medium having a nominal valuation in excess of the trading needs of the province. When distrust and lack of confidence added the force of their weight, this reduction actually brought the purchasing capacity of the bills in circulation, notwithstanding the great excess of their denominational value, below the amount formerly deemed essential for the use of the province.

By reference to the table showing the coincidences between certain movements in the price of silver and emissions of large amount by this province and the colony of Rhode Island, the dates of some of the Rhode Island loans can be obtained. A glance at the diagram will disclose the effect of these emissions, but it is desirable for the full appreciation of this effect, to take note of certain facts in connection with affairs in Massachusetts at the same time. A contemporary writer<sup>2</sup> says, in 1740, that the highest point which the Massachusetts currency had then reached was in 1721. This statement would be true, if no consideration were had of the loans made about that period, but when these are

<sup>1</sup> A discourse concerning the currencies, etc., p. 29.

<sup>2</sup> An inquiry into the nature and uses of money, p. 9.

borne in mind, the culminating point prior to 1741 would seem to have been in 1726. The necessity of including the emissions of the other governments, if we would deduce any law from the subject under consideration, is forcibly illustrated by the divergence, between 1727 and 1741, of the lines which mark the currency volume on the one hand, and the silver rate on the other. Under pressure from the Board of Trade, the provinces of the Massachusetts Bay and New Hampshire were not only prevented from further increasing their bills of public credit during this period, but were actually compelled to reduce the amounts in circulation. Meantime Rhode Island had flooded the province with emission after emission of public bills, some issued upon funds, but nearly all loaned out at interest for terms varying from ten to thirteen years, and then to be liquidated in annual instalments covering ten years more. Of these bills there were £340,000 outstanding in 1741, the greater part of which were in circulation in Massachusetts. Owing to their presence, the assembly of this province had witnessed the silver rate advance from 16s. in 1727, to about 29s. in 1741, in the face of the fact that the circulation of their own public bills had been reduced from £396,000 in 1726, to £229,000 in 1741. The purchasing capacity of the bills of the province in circulation, rated in silver at 6s. 8d. per ounce, had through these causes been reduced from £165,000 to less than £53,000. Attempts had been made, without success, to prevent the circulation of the bills of the neighboring governments. The colony of Rhode Island was drawing a revenue from the interest of the loans. The borrowers were able, in turn, to lend in Massachusetts the public bills which they thus secured, at a higher rate of interest than that charged by the lender, so that



they also made a profit. The privilege of obtaining shares in these loans commanded a ready sale at a premium. To all of this the people of the province of the Massachusetts Bay had to submit, through the obstinacy and stupidity of the traders, who insisted upon giving currency to the Rhode Island bills.

The rate of silver should naturally have gone in 1748 above seventy shillings, but the belief that the expenses of the Cape Breton expedition would be reimbursed must have held it in check. Certainly this must have been the case after the passage of the act in January, 1748-49, providing for the future redemption of the bills, if the coin should be received by the province, in settlement of the claim for reimbursement. Furthermore, this act contained arbitrary measures for the prohibition of the circulation of the bills of the other governments, and this again had a tendency to reduce the silver rate.

The addition of another line to the diagram, showing the volume of the entire currency in circulation, including the contributions of the other governments, might perhaps have added to its interest. It will not be difficult, however, to make use of the figures heretofore given to obtain an approximate result of this sort. In its present shape, the diagram brings forth vividly the peculiar condition of this province, just prior to the inflation under Shirley, when suffering vicariously for the sins of Rhode Island. The province had responsibilities enough of its own to bear in this connection, and it is well that so much of the burden as can be lifted shall be deposited where it belongs.

## CHAPTER XXI.

### THE CURRENCY AND THE POLITICS OF THE PROVINCE.<sup>1</sup>

No person who has read the chapters in which were narrated the struggles between the representatives and the royal governors in regard to the currency, can have failed to see how important a part this controversy bore in the development of the strained relations between the legislative and executive branches of the government, which paved the way for the assertion by the people of what was then frequently termed "independency." The inhabitants of the province through these discussions were led to criticize the attitude of their rulers; to oppose the royal instructions, and to uphold their representatives in their opposition to the crown officers even in cases where the grounds of this opposition were not clearly defensible. "The people of America," says John Adams,<sup>2</sup> "had been educated in an habitual affection for England as their mother country; and while they thought her a kind and tender parent (erroneously enough, however, for she never was such a mother) no affection could be more sincere. But when they found her a cruel Beldam, willing like lady Macbeth, to 'dash their brains out,' it is no wonder their filial affections ceased and were changed into indignation and horror."

*"This radical change in the principles and opinions, sentiments and affections of the people, was the real*

<sup>1</sup> The discussion of the relation of the currency to the politics of the province, forms the subject of a paper read before the Colonial Society of Massachusetts, which is substantially reproduced in this chapter. See publications of the Colonial Society of Massachusetts, vol. 6.

<sup>2</sup> "Novanglus and Massachusettensis," etc., Boston, 1819. Letter to H. Niles [editor of the *Weekly Register*], February 13, 1818, p. 233.

*American Revolution.*" If we eliminate the exaggerated violence from this statement, no person will be disposed to deny the truths which it contains. The existence during the first half of the eighteenth century, of a strong feeling of loyalty on the part of the colonists can not be doubted, and it is obvious that so complete a change as was implied in the conversion of a loyal people full of affection for the mother country, to the state of mind which could tolerate the thought of armed resistance must have been brought about by some slow process. A writer who has recently made a careful study of the functions of the provincial governor has expressed a thought somewhat akin to this in the following language: <sup>1</sup> "Rightly then to understand the deeper forces which produced the war of independence, one must understand the gradual growth of that sense of divergent interests without which all the political agitation of Samuel Adams, the eloquence of Patrick Henry, and even a few injudicious measures of British statesmen from 1760 to 1774, could hardly have led to revolution. Nowhere can this gradually awakening consciousness of divergence, so far as it reveals itself prior to what is commonly called the revolutionary era, be better studied than in the conflicts between the provincial governor and the provincial assembly." This divergence of interest had existed from the beginning and was inherent in the English conception of the functions of a colony. The various commercial companies which had been established in England for the purpose of colonization, were all of them founded in the thought of gain. This might be of two sorts, gain to the stockholders, or gain

<sup>1</sup> Harvard Historical Studies, vol. 7. The provincial governors in the English colonies of North America, by Evarts Boutell Greene, New York, 1898, p. 205.

to the country at large. So far as the early American adventures were concerned they were invariably disastrous to the capitalists who fostered them, but whatever the result to the colonists or to the company, the sole interest taken by the government rested upon the gain present or prospective to be derived from the enterprise. No thought was given to the possibility that the colonists might have other interests than such as were directly contributory to the welfare and prosperity of the mother country. Long after the number of the inhabitants of the colonies of North America had risen to hundreds of thousands, when generation after generation had been born in the colonies and had lived and died there without personal knowledge of the trans-Atlantic kingdom, the rulers of which claimed the right to direct the affairs of their governments, they were still treated as if they were merely temporary sojourners, whose ultimate interests were vested in Great Britain, and who would endure arbitrary trade regulations, and submit to narrow commercial restraints, because the same were supposed to be for the benefit of the distant government, of which they knew nothing except through its representatives in their midst. They were of the realm, but not in the realm. They were subjects, and when in England had the same rights as Englishmen, but the laws which were made by parliament for the regulation of trade and commerce, and at a later date of colonial manufactures, like much of the penal legislation on the statute books at that time, were so unjust that many of them were incapable of enforcement. At the outset there was no precedent by which either the colonists or parliament could determine what power parliament actually held over the colonies. In 1678, the General Court, answering sundry objections which had been

raised by the Lords of the Committee to their legislation, said: "That for the acts passed in Parliament for encouraging trade and navigation, wee humbly conceive according to the usuall sayings of the learned in the lawe, that the lawes of England are bounded w<sup>th</sup>in the fower seas and doe not reach America." The next sentence, as this is punctuated, begins, "The subjects of his Maj<sup>tie</sup> here being not represented in Parliament."<sup>1</sup> This obviously forms a qualifying clause of the previous sentence, explanatory of the cause why they thought that the laws of parliament did not apply to them. Parliament, having the power, decided the question in its own behalf, and in this decision the colonists acquiesced. In consequence the doctrine of no taxation without representation lay dormant until revived by James Otis, who declared that "the parliament of Great Britain has an undoubted power and lawful authority, to make acts for the general good, that by naming them, shall and ought to be equally binding, as upon the subjects of Great Britain within the realm." It was from and under this very power, and its acts, and from the common law, he asserted, that the political rights of the colonists were derived. One of these was, he claimed, that which had been asserted by the General Court in 1678.<sup>2</sup> The restraints imposed upon commerce and trade were a far greater threat to the ultimate prosperity of the colonies than could be found in such parliamentary legislation as the stamp act and the Townshend tax act, the passage of which aroused such a storm of indignation just before the revolution. John Adams lays bare the secret of this endurance when he says, "These acts

<sup>1</sup> Mass. Col. Rec., vol. 5, p. 200.

<sup>2</sup> The rights of the British colonies asserted and proved. By James Otis, Esq., p. 49.



[the trade acts] never had been executed, and there never had been a time when they would have been, or could have been, obeyed."<sup>1</sup> The voluminous reports and complaints of Randolph, forwarded to the Board of Trade and to his friends in England, when he was vainly attempting to enforce the navigation act in Boston, bear testimony to the entire truth of this assertion in the days of the colony. In addition to that evidence, we have the admission of the Privy Council that they knew that this was the case. In a letter to the governor and company of Massachusetts, dated October 21, 1681, they say: "We appointed Edward Randolph collector of our customs in Massachusetts, to check the breaches of the acts of trade and navigation frequently practised and connived at therein. We are well satisfied that Edward Randolph has discharged his duty with all diligence and fidelity, yet, because unlawful trading is countenanced by you, all his care has been of little effect."<sup>2</sup> So far as the collection of revenue, in the days of the province under the trade acts, is concerned, an advocate of the new system said in 1765, "the whole remittance [of collectors] from all the colonies at an average of thirty years has not amounted to £1,900 a year,"<sup>3</sup> and again: "Such has been the disregard of all revenue laws in America, that this has produced hardly anything, tho' the commodity has been imported all the time in great quantities."<sup>4</sup> Smuggling was so constantly car-

<sup>1</sup> *Novanglus and Massachusettensis*, p. 245.

<sup>2</sup> Calendar of state papers. Colonial—America and W. Indies, 1681–1685. No. 264. See also publications of the Prince Society, Edward Randolph by Robert Noxon Toppan, vol. 3, p. 111, where the letter is given with some differences of phraseology.

<sup>3</sup> The regulations lately made concerning the colonies and the taxes imposed upon them considered. London, 1765, attributed to George Grenville, p. 57.

<sup>4</sup> *Ibid.*, p. 79.

ried on and the navigation laws were so openly evaded, that testimony to that effect is hardly needed, but if it were, this author furnishes the evidence. "Ships," he says, "are continually passing between our plantations and Holland, Hamburg, and most of the ports in the German ocean, and in the Baltic."<sup>1</sup> "Foreign goods are," he adds, "illegally run into the colonies in value to no less than £700,000 per annum, which exceeds by far the value of those foreign goods that are conveyed thro' Great Britain."<sup>2</sup> So long as this was the case, it mattered but little to the colonists that the avowed purpose of the act for the encouragement of trade, while it asserted that the plantations were peopled by subjects of the kingdom, was for keeping those subjects "in a firmer dependance" upon that kingdom.<sup>3</sup> Assertions of that sort, or even the passage of acts imposing duties upon molasses, the collection of which would have destroyed the trade of the New England colonies with the West Indies, were of little consequence so long as such assertions were mere words and such acts were not enforced. This was, perhaps, not fully appreciated in England. It was known that the laws were on the statute books, but the extent to which they were ignored in the colonies was not generally comprehended. Lord Mansfield, rehearsing in parliament the evidences of the dependent condition of the colonies, unconsciously betrayed the utterly incorrect opinion regarding the relationship between such dependencies and the parent government which then prevailed. "The navigation act," he

<sup>1</sup> The regulations lately made concerning the colonies and the taxes imposed upon them considered. London, 1765, attributed to George Grenville, p. 92.

<sup>2</sup> *Ibid.*, p. 93.

<sup>3</sup> 15 Charles II, 1663, ch. 7, § 5.

said, "shut up their intercourse with foreign countries. Their ports had been made subject to customs and regulations, which have cramped and diminished their trade; and duties have been laid affecting the very inmost parts of their commerce. Such were the post-office acts; the act for recovering debts in the plantations; the acts for preserving timber and white pines; the paper currency act. The legislature have even gone so low as to restrain the number of hatter's apprentices in America, and have, in innumerable instances, given forfeitures to the king. Yet all these have been submitted to peaceably, and no one ever thought till now of this doctrine, that the colonies are not to be taxed, regulated or bound by parliament."

Forcible as is this complacent recital of the wrongs which parliament had intended to inflict upon the colonies, it is but partial and incomplete, but it was one of the signs which enabled the colonists to realize that the spirit remained the same and that apparent moderation merely meant that the old policy of rigid laws and loose enforcement was to be superseded by legislation specifically for revenue, less arbitrary in its nature, but more practical in character. "In other countries," says the author from whom several quotations have already been made, "custom house duties are for the most part little more than a branch of the revenue. In the colonies they are a political regulation, and enforce the observance of those wise laws to which the great increase of our trade and naval power are principally owing. The aim of these laws is to confine the European commerce of the colonies to the mother country; to provide that their most valuable commodities shall be exported either to Great Britain or to the British plantations, and to secure the

navigation of all American exports and imports to British ships and British subjects only.”<sup>1</sup>

The full measure of what is involved in the foregoing extract was not perhaps fully appreciated at that time in Massachusetts, but it was felt that laws, the nominal purpose of which was to raise revenue, were for the first time about to be actually enforced through a powerful custom house regime, and it was then that the country was alarmed and that the spirit of opposition asserted itself in the overawing of the officers appointed to enforce the stamp act, and in the destruction of the tea in Boston harbor. The revival of the policy which sent Randolph to Boston, brought with it a renewal of the tactics which were employed to defeat his efforts.

The prosperity of the province depended largely upon its shipping, but the community was self supporting and there was a large agricultural population whose interests were affected only in an indirect manner by restrictions upon trade and manufactures, and taxes upon imports. It is easy to understand why a belief that the government was about to enforce the various restrictive laws and acts for revenue should have aroused those who were directly interested in commerce, but some explanation is required for the sympathy of the agricultural community and the alertness with which they accepted the new attitude of parliament as one hostile to their interests. This is to be found in the prolonged conflicts between the assembly and the royal governors, especially that upon the subject of the currency, which had awakened universal interest throughout the province, which had created a feeling of hostility to the representatives of the crown, and which had in a great measure crushed the sentiments

<sup>1</sup> The Regulations lately made, etc., p. 88.

of loyalty and affection of which so many writers speak. Thus the state of mind was produced which John Adams denominated "the real American revolution."

The representatives had taken care throughout these discussions to keep their constituents in close touch with their disputes, by constant appeals for instructions to the selectmen of the towns, and thus farmers, tradesmen and laborers were taught provincial politics. Bancroft, speaking of the controversy over Dudley's salary in 1702, says: "Here began the controversy which nothing but independence could solve." This, however, does not date the beginning of the controversy far enough back. Phips wanted a salary as well as Dudley, but this was refused him, and under the guidance of Elisha Cooke the stand then taken upon the salary question was one of the steps in the great struggle which by slow degrees developed ultimately into the assertion of independence. At first it was a mere conservative attempt to preserve under the new charter such of the rights to which the colonists had been accustomed under the former charter, as could be maintained. Among those who were trying to save some of the principles of independent action which had characterized the government organized under the first charter, there were some who saw in the dependence of the governor upon the assembly for his compensation, a weapon which would be available in case of contest, and it was owing to their foresight that the settlement of a salary upon the governor was avoided. Compensation was freely granted to the governors and lieutenant governors, but never in the form of a salary. The chronic disputes upon this point were closely interwoven at times with questions connected with the supply bills, and in the interchange



of messages the plainest of language was used on both sides, as to what ought to be done ; what would be done, and what would not be done. The situation in which Dummer found himself in 1727 and 1728, the hitches that then occurred in connection with the various schemes suggested for securing a new supply of bills of public credit, and finally the charge made by Burnet that the assembly had used their control of the salary question to secure the assent of the lieutenant governor to an emission of the currency, have been heretofore alluded to. The fact that such a charge was made, sufficiently illustrates the character of the controversy and shows its close connection with the subject which occupies our attention. We have seen that Burgess sold to Shute, for the sum of £1,000, the influence which controlled the appointment of the provincial governors. Tailer, the lieutenant governor appointed at the same time with Burgess, failed to secure a new commission under Shute, for the reason that he was an advocate of the private bank. This practical demonstration of the close relation of the currency question to the politics of the province in 1714, compelled Hutchinson to give it attention and he devotes considerable space in his narrative to a development of this fact.<sup>1</sup>

Thomas Hutchinson, Sr., was then in the council and belonged to the small minority "which was for drawing in the paper bills and depending upon a silver and gold currency." Tailer, the lieutenant governor, "a gentleman of no great fortune, whose stipend from the government was trifling," engaged in the cause of the private bank founded upon the project published in London in 1684, with great zeal. A third party, though opposed

<sup>1</sup> History of Massachusetts (edition of 1795), vol. 2, pp. 188, 189.

to this private bank, favored the emission of public bills of credit on mortgage loans, and the hard-money minority, driven to a choice of evils, threw their lot in with those who favored this plan, in order to defeat the private bank. "The controversy," says Hutchinson, "had an universal spread and divided towns, parishes and particular families."

The settlement of the specific question at issue in this contest, by the triumph of the party in favor of "the public bank," through this combination with the advocates of a specie currency, merely diverted the discussions between the governor and the assembly to other topics. It was maintained with intermittent vigor under each of the representatives of the crown who chanced to be at the head of affairs, its energy and virulence being largely determined by the character of the governor or lieutenant governor for the time being.

One point which was frequently under discussion during this period, had the effect of keeping constantly before the people the question of their rights under the charter, and the possibility of those rights being invaded. The subject of discussion referred to was the extent to which the assembly could be brought under the control of royal instructions. It is true that no direct efforts were made by the crown to instruct the assembly how it should legislate, but indirectly through instructions to the governors to secure the passage of certain laws and not to approve others, it was sought to influence legislation. That which was not desired could be absolutely prevented from taking effect, since all laws were subject to the approval of the governor and were also submitted for approval or rejection to the Privy Council. This power of control rendered the royal instructions of great moment to the assembly, but inasmuch as they

were seldom communicated to that body, except in cases of emergency or under pressure, they were not treated with much respect, even when specific knowledge of their character was furnished by the governors. The instructions were subject to interpretation, and the representatives appeared to think that in the exercise of the power of interpretation, the governors could make the instructions plastic enough to fit every emergency. When the council advised the governor that the instructions would not permit him to sign a bill involving the emission of currency, the house said: "We cannot but please ourselves, had a more general and proper question been put they had given their advice to your Honor to sign the bill." At another time they thought the difficulty lay in the "instructions as now understood and improved by his Excellency," and the same idea is involved in the request of the council that the governor would "take such measures that he may be enabled to give his consent to the said bill as soon as may be." When the representatives asserted that if they did "not struggle in every way to maintain and preserve their liberty they would act more like vassals of an arbitrary prince than like subjects of King George, their most gracious sovereign," we need to be told that the subject under discussion was a royal instruction from that most gracious sovereign to fully appreciate the force of the statement. The provincial courts of law did not hesitate to disregard such instructions when in their judgment they contravened the rights of the litigants or the courts under the charter,<sup>1</sup> and the agents of the province at London did not scruple to advise the assembly that it was better to force parliament to inter-

<sup>1</sup>The case of *Frost vs. Leighton*, *American Historical Review*, January, 1897.

vene than to submit to instructions which invaded the rights of the people. "Of what value," said Wilks and Belcher in 1729, "is the Charter if an instruction shall at pleasure take away every valuable part of it? If we must be compelled to fix a salary doubtless it must be better that it be done by the Supream legislature than to do it ourselves; if our liberties must be lost, much better that they be taken away, than we be in any manner accessory to our own Ruin."<sup>1</sup>

When the attempt was made in 1749 to secure the enforcement of royal instructions in the colonies, through parliamentary legislation in connection with the currency, William Bollan said to a committee of the House of Commons, "This bill by the matter therein contained, providing for the enforcement throughout the colonies, of royal orders and instructions, would practically approve all future orders of future princes, no matter how repugnant they might be to the present constitution of Great Britain, and all such orders, if the bill should become a law, would receive the sanction of parliament. Royal orders, no matter how illegal except for this bill, would through its agency when ratified and enforced by it, themselves become laws and necessarily bind the people." It is to the credit of parliament that it listened to Bollan and rejected the clause in the law concerning which he was arguing, but the discussion revealed possibilities to which the eyes of the people were gradually opening. We certainly have hints here of a progressive change in the opinions of the people of the province as to certain methods of the royal government which indicate an alienation of their affections and which if not radical enough to mark the epoch of the "real Ameri-

<sup>1</sup> Mass. Bay House Journal, June 27, 1729.

can Revolution," at least point out a steady tendency towards the state of mind which would render it possible.

In 1740, under the influence of the fear of a stringency of the circulating medium, created by the instructions to the governors to compel the withdrawal of the greater part of the currency, the Land Bank originally proposed in the province in 1714, again raised its head.<sup>1</sup> Hutchinson, speaking of the house of representatives then in power, says, "it appeared that by far the majority of the representatives for 1740, were subscribers to or favorers of the scheme, and they have ever since been distinguished by the land bank house."<sup>2</sup> With great caution he adds further on "Perhaps the major part, in number, of the inhabitants of the province, openly or secretly, were well wishers to it."<sup>3</sup>

The situation at this time has already been fully set forth. The capitalists and hard money men, powerless to control the public sentiment which was so manifestly in favor of this ill-founded scheme, powerless also as they found upon trial to accomplish anything through their counter-scheme, the silver bank, appealed to parliament. "The authority of Parliament," says Hutchinson, "to control all public and private persons was, in that day, questioned by nobody," and he adds that the application for an act to suppress the company was very easily obtained. Too easily, alas! for those who knew all the circumstances of the case, ever again to believe that

<sup>1</sup> The discussion of the relations of the land bank controversy to the politics of the province, deals with facts concerning which the reader would be compelled to turn to the detailed account of the career of that company, given in Part II of this work. It seems impossible, however, to divide the subject and it has, therefore, been determined, in spite of the above fact, to present the matter in full at this point.

<sup>2</sup> History of Massachusetts (edition of 1795), vol. 2, p. 353.

<sup>3</sup> *Ibid.*, p. 354.



parliament could be trusted to legislate for the colonies. Any man who could read could see that the Act of the 6th of George I, chapter 18, did not by its terms apply to the colonies. So that every intelligent person in the province must have understood that a great wrong was done in thus declaring that the organizers of the land bank came within the scope of that drastic measure. Some persons in the province at that time knew that the law officers of the crown had been consulted and that they had rendered opinions that there was no existing law under which such an experiment in banking could be reached. There were some who knew that the New Hampshire merchants' bank had actually met with approval by the Board of Trade, and yet when the opportunity came for applying this doctrine to men in Massachusetts engaged in an enterprise of similar nature, their acts were discovered to be no longer legal and permissory, but had in some strange way become criminal and abhorrent. A law which could not have been interpreted as reaching to the colonies was declared to have originally applied to them, to have been constantly in operation there and to be at that time in full force in the province of the Massachusetts Bay. The majority of the house of representatives, the majority perhaps of the people of the province, were converted by this act from innocent law abiding citizens either into actual violators of the law liable to criminal process, or into what was nearly as bad, avowed sympathizers with others who were thus situated. How this was looked upon by those who believed in the power of parliament to legislate as it pleased concerning the colonies is disclosed by Hutchinson in the following words: "It was said the act of George I. when it passed had no relation to America; but another act twenty years after gave it force, even

from the passing it, which it never could have had without. This was said to be an instance of the transcendent power of Parliament."<sup>1</sup> At the time when Hutchinson thus glibly wrote of an act giving force to a previous one "even from the passing it, which it never could have had without," he had abundant reasons for comprehending that something had aroused the people of Massachusetts, and it is difficult to comprehend how he or any other inhabitant of the province could have calmly contemplated legislation of this character. It must be borne in mind however that the capitalists and intelligent business men were then in a state of heated indignation and were prepared to avail themselves of any method which presented itself for the suppression of the land bank. There were some however who understood that the influence of these proceedings upon public sentiment was far reaching and important. The subscribers to the land bank, believing that they had a perfect right to proceed were loath to recognize the parliamentary act and reluctantly consented to liquidate the affairs of the bank. Many of them were apparently ready to resist the enforcement of the law, but wiser counsels prevailed and partly through the voluntary acts of the subscribers, partly through provincial legislation, the bank was wound up. Under the act of parliament, every act performed by the subscribers to the land bank under their organization was null and void. In order to close up the bank, it was absolutely necessary to recognize the obligations of the company and in turn those given to the company by the subscribers. Thus by provincial legislation passed for the purpose of effect-

<sup>1</sup> History of Massachusetts (edition of 1795), vol. 2, p. 355. See also "Previous legislation a corrective for colonial troubles." Pub. Col. Soc. of Mass. vol 6.

ing the object aimed at by the act of parliament, the act itself was swept aside. This paradoxical proceeding was referred to by Samuel Adams in a reply on the part of the house of representatives to the speech of the governor on the second of March 1773. "The act of Parliament," said Adams, "passed in 1741, for putting an end to several unwarrantable schemes, mentioned by your excellency, was designed for the general good; and, if the validity of it was not disputed, it cannot be urged as a concession of the supreme authority, to make laws binding on us in all cases whatever. But if the design of it was for the general benefit of the province, it was in one respect, at the least greatly complained of, by the persons most immediately affected by it; and to remedy the inconvenience, the legislative of this province, passed an act directly militating with it; which is the strongest evidence, that although they may have submitted, *sub silentio*, to some acts of parliament, that they conceived might operate for their benefit, they did not conceive themselves bound by any of the acts, which they judged would operate to the injury even of individuals."<sup>1</sup>

When this act was passed John Adams was a mere boy of about six years of age. The ceaseless passage of

<sup>1</sup> Bradford's state papers. Speeches of the governors of Massachusetts from 1765 to 1775, and the answers of the house of representatives to the same, etc., etc. [Edited by Alden Bradford.] Boston, 1818, p. 394. The transcendent power of parliament, which was partially set aside by the General Court in 1743, which was disputed by Samuel Adams in 1773, and which was submitted to the arbitrament of the sword in the revolution, was claimed by the counsel for the defendant in *Phillips v. Blatchford* (137 Mass.), to still have force in Massachusetts. His brief recites the passage of the acts of 6 George I and 14 George II, quotes from the State Constitution the clause which continues in force existing laws until repealed, and concludes: "This law, established by the express command of the Sovereign, and, on the change of the government, confirmed by the new Sovereign, is the law to-day."

the years bore him on to a period of life when he took an interest in public affairs, and still the protracted legislation and litigation connected with the the closure of the land bank occupied the attention of the assembly and of the courts of law. When he speaks of the effect of these proceedings upon the popular mind, he furnishes testimony which may be accepted as that of one in close touch with these events. His measure of their importance stated in the following language leaves no doubt of his opinion upon that point: "The act to destroy the land bank scheme raised a greater ferment in the province than the Stamp act did."<sup>1</sup> We seek in vain for any recognition by historians of the political importance of these events, at all proportionate to that to which they were entitled, if we may accept the above expression of opinion as even approximately true. Minot merely gives an outline of the scheme and of the events connected with its history.<sup>2</sup> Bancroft contents himself with a few quotations from Hutchinson.<sup>3</sup> Hildreth gives a brief sketch of the land bank and says that the act extending the Bubble act to the colonies "was denounced in Massachusetts as an interference with the provincial charter, and in South Carolina as a violation of provincial rights." He also refers to the fact that "earnest efforts on behalf of these unfortunate speculators, of whom his father was one, first introduced into politics Samuel Adams, afterwards so celebrated."<sup>4</sup> Barry, deals with it in the briefest possible way and adds "and threats of civil disturbance were made if its operations

<sup>1</sup> *Novanglus and Massachusettensis*, etc., p. 39.

<sup>2</sup> *Continuation of the history of the province of the Massachusetts Bay from the year 1748*, etc., by George Richards Minot. Boston, 1798, vol. 1, p. 89.

<sup>3</sup> *History of the United States*, Edition of 1841, vol. 3, p. 389.

<sup>4</sup> *History of the United States of America*, vol. 2, pp. 380-381.

were suspended."<sup>1</sup> Palfrey's sympathy with those who were opposed to the land bank, blinded his eyes to what had actually taken place. He saw that the project had usurped a prominent position in politics, but evidently regarded it as local and temporary. His satisfaction at the closure of the scheme is shown in his epigrammatic statement of the result of the application to parliament: "The land bank was caught in its own devices."<sup>2</sup> No person who fully appreciated what had taken place could have thus epitomized the proceedings which followed the action of parliament. It will be seen that Hildreth alone seems to have been upon the verge of a complete understanding of the political value of these experiences. We can see that the preposterous legislation of parliament although incapable of practical enforcement, was made use of as a blind behind which laws which violated its terms were passed to accomplish its purposes. Its evasion by the assembly brought the question of parliamentary supremacy under discussion. The enforcement of the provincial laws passed to put it in practical operation although acquiesced in by the capitalists and the solid men of the community on account of the good thereby to be accomplished, was not secured without arousing indignation and hostility throughout the province.

"It is supposed," wrote one of the pamphleteers of the day, "that there will be about one thousand subscribers, who in their station of life must have an intercourse of business or dealing interwoven with ten thousand more." "Many towns," wrote another, "take the notes in trade, besides paying their town and ministerial rates with it, at least in part." As we look over the list of directors

<sup>1</sup> The History of Massachusetts, vol. 2. The Provincial Period, p. 132.

<sup>2</sup> History of New England, vol. 4, pp. 551-552.



we see the name of Samuel Adams, and in later reports of committees his estate is classed among the delinquents. It is known that the harassing proceedings taken against the estate of the father were a source of annoyance and trouble to the son. Adams's defiance of the sheriff who was trying to levy upon that estate was published in the *News Letter* in 1758. Who shall measure the effect of these proceedings upon the mind of the future inspirer of the committees of correspondence, the indefatigable and persistent leader in the revolutionary movement? The success of this movement is largely attributed to these committees of correspondence. Who can doubt that the idea of thus arousing the people and keeping them in touch with the contest, took its root in the frequent appeals to the select men of the towns made by the representatives during these prolonged discussions? Who can fail to see that the land bank if it had been left alone, would have collapsed in a few months through its own inherent weakness? Yet parliament too impatient to wait for this, and too anxious to secure the prompt closure of the scheme to scrutinize the methods by which it should be accomplished, sacrificed its reputation for consistency and justice, and in its haste and impatience to crush the land bank resorted to means which then aroused the indignation of this great number of interested persons and which can not fail to create the same feelings in the mind of the disinterested reader to-day. As we rehearse these events who can doubt the instrumentality of the currency discussions, the conflicts between the governors and the representatives and the appeals to the select men for instructions, in creating that state of opinion which John Adams said was the real American revolution?

## CHAPTER XXII.

### SOURCES OF AUTHORITY USED HEREIN AND A FEW WORDS AS TO THE STUDY OF THE CURRENCY IN OTHER COLONIES.

The sources of authority for the foregoing accounts of the currency and descriptions of the banks are to be found mainly in the official publications of the several states. They are supplemented, however, in the state of Massachusetts by documentary authorities and records deposited in the archives of the state, in registries of deeds, and in the files of the courts.

In Massachusetts, the records of the colony have been published. References made to laws actually passed during the colonial period, and to proceedings of the General Court which were recorded by the secretary, can be easily verified through these publications. The authority for statements of importance, based upon documents lodged in the archives, has been, as a rule, indicated by a reference to the volume and the number of the paper in the volume. The papers in the Massachusetts archives are classified under different subject headings, and are consecutively numbered in each volume. There may be several papers mounted upon one page, or there may be single papers covering a number of leaves which bear several numbers. The papers under each subject heading are chronologically arranged. The bulk of the references made in this research will be found in the volumes classified under the heading "Pecuniary." The entire series of volumes in the archives is numbered consecutively, and citations may be made at will under the descriptive classification, or under the

numerical designation. By preference, I have adopted the latter method.

The records of the General Court of Massachusetts during the provincial period have not been published, but beginning in the year 1715, and thereafter during the entire period under consideration, the house published its journals. There is no complete set of these published journals under any one roof, but it is probable that the several incomplete collections scattered through different public libraries contain all of them. The journals contain the messages and speeches of the governors and such of the royal instructions as were officially communicated to the assembly. The replies made by the house when engaged in controversial discussion with the governors are, of course, given in full. It is from this set of publications that the facts connected with the controversies between the governors and the representatives are mainly drawn. These journals were issued by sessions and as they do not have any system of continuous pagination, they are not capable of being classified or cited by volumes. Page references to them require for their application a careful description of the session in which the event occurred which is to be examined. It will be seen that the date of the event furnishes a simpler method of reference, and for that reason no attempt has been made to furnish page references to the published house journals. Furthermore, the account of the controversies between the house and the governors and at times between the house and the council rests so completely upon these journals for its authority that the pages have not been cumbered with foot-notes indicating the source of authority for these; but notes have been introduced where statements of importance were made which were based upon evidence obtained elsewhere.

The references of this description in connection with the Massachusetts currency are mainly confined to the Suffolk records and files; to the records of the council in the archives department, termed by Felt the "court records"; and to volumes designated by their numbers in the archives.

The records of the council run parallel with the published house journals and sometimes furnish additional information. They have also been referred to as authority for some statements, more especially during the period prior to the commencement of the publication of the journals, citations being given under the title "Court Records."<sup>1</sup>

The Suffolk files contain papers relating to suits which were prosecuted in all parts of the province. They have been arranged chronologically, as far as practicable, mounted upon sheets and bound in volumes and are easily accessible to the public. The dockets and records of the courts are, of course, to be consulted under their titles.

A few words ought perhaps to be said concerning the works of contemporary historians. Hutchinson was born in 1711 and entered public life in 1737. From that date on he was in close touch with events. His "History of Massachusetts from the first settlement thereof in 1628, until the year 1750" was published, the first volume in 1764, the second in 1767. The "Collection of Papers" was separately published in 1769. The third volume, which brings the narrative down to 1774, was found in

<sup>1</sup>The Council Records are of two classes, executive and legislative. The executive are termed in the classification at the State House "Council Records," and are so cited in this volume. The more voluminous records covering legislation are those which were termed by Felt "Court Records," a title which has been preserved at the State House and recognized in the citations herein.

manuscript among his papers and was published in 1828. The references in the history to events relating to the currency are necessarily disconnected. They are to be found in their proper chronological sequence in the narrative and many of them are brief and inadequate. Where his personal influence was brought to bear to secure important legislation, he has described the proceedings more in detail, and it is upon these descriptions that historians have relied in the past and to which students must always turn for information. It is to his pages that most writers have turned for accounts of the merchants' notes of 1733 and the Land Bank of 1740. The history is carelessly written, no effort having been made to correct such errors as will creep into the first manuscript of even the most careful writers. For this reason many of his sentences are awkward, and some are incongruous and difficult of interpretation, yet no person could arise from the perusal of the work without a distinct impression that the narrative, as a whole, is simple and direct and that the intention of the author was not only to be truthful, but to deal fairly with all, whether friends or foes.

Douglass will always be remembered, by those who study the currency discussion of this period, rather as the author of the "Discourse concerning the currencies" than in connection with the more pretentious work to which he appended his name. "A summary, historical and political, of the first planting, progressive improvements, and present state of the British settlements in North America" was originally issued in numbers in a contemporaneous publication. The first bound volume originally appeared in 1749, the second in 1755. As was perfectly natural, the publication of the work was the occasion of a libel suit. So far as currency matters are



concerned they are often relegated to lengthy foot-notes and these frequently occur in unexpected places. The style of these notes is aggressive and intemperate. Every page of the Summary bears evidence of the haste of its composition, and of the lack of revision. Even in such a matter as the preparation of a table, in which he has grouped certain figures to show more clearly what he means, he contents himself when the columns do not foot up to suit him, with appending a note, "Here is some small error" rather than devote the time necessary for its correction. Nevertheless, the Summary, like the Discourse is replete with valuable information and is not to be lightly set aside because of these obvious defects.

There is no occasion to say more concerning the contemporaneous pamphlet literature which has already been referred to and partially analyzed. We can not, however, pass by in silence a work often quoted as Felt's Massachusetts Currency, which has been freely used by all writers upon this subject, and which, although not published until well into the second quarter of this century, has come to be regarded as an authority of almost equal importance with contemporaneous publications. For ten years, Joseph B. Felt was engaged in classifying and mounting the papers which constitute the Massachusetts archives. During the progress of this work he made note of such papers connected with the currency and the land bank experiments as seemed to him to be novel and important. These notes furnished the basis of two lectures delivered at the request of the Massachusetts Historical Society, which were, with some additions, published in 1839, under the title of "An Historical Account of Massachusetts Currency". Mr. Felt was by profession a clergyman, and conse-

quently brought with him to aid him in this work neither the practical training of a business man nor the mental discipline of an economist. His selections from the multitude of papers in the archives bearing upon the subject were made at a time when his mind was occupied in deciphering crabbed hand-writing, settling obscure questions as to dates and determining the general character and purport of the papers under examination. Under such circumstances, he may well be pardoned if he has omitted reference to some papers which seem entitled to have been included in his notes. The wonder is that he was able to make so wise a selection as he did. The value of his work has long been appreciated by writers upon coinage and currency and it would be difficult to find a book of note, written since Felt's *Currency* was published, which touched upon the question of the provincial currency of Massachusetts without some recognition of obligation on the part of the author to the work done by Felt. The merit of this book consists not in the opinions of the author, but in the materials collated from the archives of which he made use, the judicious selection of which shows great discrimination on the part of the compiler. He was quick to see what was valuable, but when he came to put together the items which he had collected, the task was performed in a slovenly manner and with perfunctory annotations. His relations with the archives were such that his statements as to the character of the papers have been accepted without question. My own observation leads me to the conclusion that he may be relied upon for accuracy of quotation, but that he was careless in the use of descriptive language concerning the papers from which he quoted. The following instance will at once illustate his discriminating sagacity

in noting the value of a paper, the carelessness with which he committed errors in describing it, and the vague method of giving a clue to it in his annotations. There is in the one hundreth volume of the archives a copy of an abortive act against the exportation of coin, which, at the May session in 1654, was passed by the magistrates but failed of passage in the deputies. In the preamble to this, the statement is made that the export of coin "cannot advance any profit to such as send it, but rather a fourth part losse". The importance of this expression, embodied in a wordy preamble, written in the archaic hand-writing of the day, might easily have been overlooked, but it did not escape Mr. Felt's observation. He saw that here was evidence that the nominal value assigned to the coinage of 1652 was at 25 per cent. discount in 1654, and, on page 36 of his book, he introduced a copy of the above mentioned preamble. On page 32, there is an allusion to a "report of a committee designated by the General Court in 1654," in which Felt expressly states that "our coin passed abroad at the discount of one-fourth part of its home value". He furnishes no reference to this report and one might conceive that the archives contained two documents of this date containing the statement above quoted, were it not for the fact that in introducing, on page 35, the preamble, to which I have referred above, and which appears on the next page, he uses the following language: The "General Court adopt, for substance, the report of their committee". To this he gives a reference: "Massachusetts Archives, Pecuniary, Vol. I." which is the hundreth volume in the archives, in which the paper can with this reference be run down without much difficulty. When found it does not turn out to be a report of a committee, nor is it the record

of anything that was adopted by the General Court. I doubt also if it is capable of the interpretation that the discount on the coinage was of necessity confined to "abroad". It is evident that in both cases he is referring to the same paper, but it seems to me that students can afford to overlook minor inaccuracies of this class and be grateful for the light thrown upon the subject through the recognition of the value of just such side lights as this which we are considering. It was not of much importance whether it was a committee who expressed the opinion, nor whether the General Court adopted it. What was of value was that such an opinion was expressed. It was not of consequence whether Felt thought the discount was only in operation in foreign parts. We can interpret the language and judge of such a probability for ourselves. He has made public this and many other obscure passages which might have escaped observation indefinitely, and in doing so has shown great sagacity. For this we should hold him in honor.

The plan of Minot's History of Massachusetts<sup>1</sup> did not permit a detailed account of the currency movement. It was in accordance with the general character of Minot's work, that he should give a brief analysis of what had taken place, bringing forth conspicuously the points which he considered of importance. It is to be regretted that the limitations of the space which he could devote to the subject restrained him from a more elaborate effort. He lived near enough to the time of these events to have obtained from those about him a knowledge of their personal experiences, and yet when he wrote, time enough had elapsed to have given these

<sup>1</sup> Continuation of the history of the province of Massachusetts Bay from the year 1748, etc., etc., by George Richards Minot, Boston, 1798.

events an historic vista. He was thoroughly competent to have given us an authoritative account of the whole matter. The brief analysis which he furnishes in the fifth chapter of his first volume contains much that is of interest, and sufficiently indicates what he might have done if he had had more space at his command.

The whole subject of the currency emissions of Massachusetts was summarized in an intelligent manner, with copious references to sources of authority, by Mr. Winsor in the fifth volume of his *Narrative and Critical History of America*.<sup>1</sup> In a note, page 176, Mr. Winsor very justly remarks that the general histories take but a broad view of the subject. We can perhaps afford to adopt this curt criticism of the works of our historians, with the following exception. Mr. Winsor includes Palfrey among those whose works he dismisses in this abrupt manner. This is, perhaps, justifiable so far as Palfrey's text is concerned, for he does not attempt to treat the currency in detail. He says, indeed, "To follow, step by step, the course of the dispute respecting financial affairs between the governor and the representatives, would be to weary the reader with a recital of intricate and dull details."<sup>2</sup> Nevertheless, Palfrey has accumulated in his notes much information which is not easily obtainable from other sources, and the student of the topic ought not to consider his examination of the subject complete until he has analyzed these notes.

Two reports of the council of the American Anti-quarian Society deal with this subject. The first was

<sup>1</sup> *Narrative and critical history of America*, vol. 5, ch. 2, note c: Finance and revenue, pp. 170, 177.

<sup>2</sup> *History of New England*, by John Gorham Palfrey, Boston, 1882, vol. 4, p. 549.



submitted in April, 1866, and was written by Nathaniel Paine, of Worcester. Mr. Paine in this report has successfully reduced to a coherent and intelligible narrative, the main facts set forth incoherently by Felt. The second was presented by J. Hammond Trumbull, in October, 1884, and was separately published by him under title, *First Essays at Banking and the First Paper Money in New England*. Like all work of this sort undertaken by this author, he leaves but little chance for gleanings on the part of those who succeed him in the portions of the field which he harvested.

A writer in the *Columbia College Studies in history, economics and public law* has recently published a *Financial History of Massachusetts*.<sup>1</sup> The currency occupied but a small part of the field covered by Dr. Douglas's work, but his analysis of the statutes brought to light many hidden points which had escaped observation before his investigation was made.

While dealing with secondary authorities, the opportunity ought not to be neglected to refer the student to the great collection of material brought together with patience and industry by William B. Weedon in his *Economic and Social History of New England, 1620-1780*.

In the opening sentence of this chapter I have said that we rely mainly upon official publications for information. Prior to the publication of the province laws of Massachusetts, which have been so admirably annotated by Abner C. Goodell, the conscientious editor of the series, it would have been impossible under the limitations as to time and money which restrict the operations of ordinary investigations to make a detailed examina-

<sup>1</sup> The financial history of Massachusetts, etc., by Charles H. J. Douglas, Ph.D., New York, 1892.

tion of the currency question in Massachusetts from 1690 to 1750. The emissions by resolve were hidden in the council records. The provisions for the retirement of the bills, incorporated in the tax acts, had never been published. No collator of material for a topical investigation could by his individual efforts have got together enough of this material to justify him in attempting from these manuscript sources to construct a table of emissions and redemptions. This feat is placed within easy reach of any investigator by Mr. Goodell, who has also collated from the treasurer's accounts and from other sources much material that tends to throw light on the currency. To illustrate the value of the notes in these volumes, it may be said that it is through them that we are able to trace the brief history of the 1750 currency, emitted against a silver fund of equal amount,<sup>1</sup> apparently without going through the form of passing a regular bill authorizing the emission.

When we turn to New Hampshire we find ourselves destitute of any special publications dealing with the currency.<sup>2</sup> The state has published the provincial records in a series of volumes entitled *New Hampshire Provincial Papers*. The records of the separate bodies of which the assembly was composed are in such a state of confusion that it is very difficult in many instances to comprehend what actually took place. For this reason, great care is requisite on the part of one who may

<sup>1</sup> £3,000 were to be prepared and the same number of pounds in milled dollars held as a fund. By the omission of "pounds in" on page 244, the fund is there converted from pounds to dollars.

<sup>2</sup> Since this chapter was written, a volume entitled *Essays on the monetary history of the United States*, has been published by Charles J. Bullock. Part III treats of The paper currency of New Hampshire. The portion with which we are dealing is covered in chapters 1 and 2, not chapter 122 as stated in the note, page 329 ante.

make use of them in a topical investigation. Whether because he was appalled by the confusion of the records or that the subject was distasteful to him, Belknap made no attempt to give a detailed account of the currency transactions of the province. He touched upon the subject only in a general way at one or two points and brief as this contact was it was not free from errors.<sup>1</sup>

The published laws of the province do not contain the acts and resolves connected with the emissions although they have some of the legislation relative to counterfeiting.<sup>2</sup> The act of Parliament of the 6th of Anne for ascertaining the rates of foreign coins in her Majesty's plantations in America, and the act of the 25th of George II. to regulate and restrain paper bills of credit in his Majesty's colonies or plantations, etc., are, however, republished in these volumes.<sup>3</sup>

The laws of the colony of Rhode Island were collated and published in the days of the colony and the records have been printed by the state. These volumes open up the subject of the currency emissions in a satisfactory manner. One or two points of minor interest can be settled by consulting the manuscript copies of unpublished laws. The subject has also been treated by Elisha R. Potter, a local investigator who published a detailed account of the several emissions and banks.<sup>4</sup>

<sup>1</sup> The history of New Hampshire, by Jeremy Belknap, D.D., [Farmer's edition] 1831. He says, p. 186, "The next assembly was more pliant and issued fifteen thousand pounds, on loan, for eleven years, at ten per cent." This can only be interpreted to mean ten per cent. interest. The eleven payments of ten per cent. were to satisfy both principal and interest.

<sup>2</sup> Acts and laws of His Majesty's province of New Hampshire in New England, with sundry acts of parliament, Portsmouth, 1761 and also an edition in 1771.

<sup>3</sup> *Ibid.*, edition 1771, pp. 220, 222, pp. 250, 254.

<sup>4</sup> A brief account of the emissions of paper money made by the colony of Rhode Island, Providence, 1837.

The work performed by Mr. Potter was so thorough that his pamphlet has remained the sole authority on this subject, and has been twice reprinted. This was first done in 1865 by Henry Phillips, jr., in his *Historical Sketches of the Paper Currency of the American Colonies*. Mr. Phillips reproduced the pamphlet just as he found it without revision or correction and by so doing perpetuated certain errors which were easy of discovery and which might, at least, have been referred to by note in a work of this class, if the compiler did not feel at liberty to change the text. For instance, Mr. Potter, on page eleven, tabulates the statements made in a report of a committee of the assembly in 1749-50. In this table, the amounts outstanding of the several emissions 1728-38 inclusive, are given in old tenor but the emissions of 1740 and 1743 are given in new tenor. The sterling values of the amounts outstanding of each issue are also given, the rate of exchange being 1100 for old tenor. The currency outstanding issued for loans, according to this table, was £210,000, whereas if the issues of 1740 and 1743 had been converted to old tenor, it would have been £390,000. The sterling values, being taken from the report, were not affected by this error, but, of course, there was an apparent lack of uniformity in the rates of conversion from currency to sterling. The committee in their report added to the bills outstanding emitted on loans, those outstanding issued to supply the treasurer, amounting to £110,444. 2s. 3½*d.* and gave their sterling value as £10,040. 7s. 5*d.*<sup>1</sup> This latter amount was entered in the column of sterling values in Potter's table as £1040. 7s. 5*d.* and thus the table was left with a statement as to the amount of currency outstanding and another as to its sterling value.

<sup>1</sup> Records of the colony of Rhode Island, etc., vol. 5, p. 286.

neither of which was correct, and the errors in which had no relation to each other. The report of the committee from which these figures were taken was appended to the pamphlet and furnished an easy means for correcting the errors. This report was reproduced by Mr. Phillips but his attention was not, to all appearances, directed towards the errors contained in the table.

In the eighth number of *Rhode Island Historical Tracts*, Mr. Sidney S. Rider reprinted Potter's account of the Rhode Island currency with some additions and changes.<sup>1</sup> When the table was reprinted in this tract the error caused by entering the emissions of 1740 and 1743 in terms of new tenor was corrected and the column of currency outstanding was thus freed from error, but by some strange oversight the careless transfer of the incorrect sterling value for the bills issued to supply the treasury was permitted to stand. The reproduction of Potter's tract of course carried with it the several appendixes, and in the report of the committee on page 187 the sterling value of the outstanding currency issued to supply the treasury is there given in the words "ten thousand and forty pounds sterling." Mr. Rider's edition of the tract has, however, special value, which is greatly increased by illustrations of the Rhode Island currency, many of which were struck off from the original plates.

The subject of the currency of this colony has been treated somewhat at large by Samuel Greene Arnold in his *History of Rhode Island*.<sup>2</sup>

Connecticut has also published her colonial records and either because the original records were more method-

<sup>1</sup>The title adopted in this publication was "Some account of the bills of credit or paper money of Rhode Island from the first issue in 1710 to the final issue in 1786."

<sup>2</sup>*History of the state of Rhode Island and Providence Plantations*, etc., by Samuel Greene Arnold, vol. 2, New York, 1859.



ically kept than in the case of Rhode Island or because they were more skilfully arranged by the editors, the work of analyzing the issues of this colony is comparatively easy. Even here, however, the five per cent. allowances, the interest on loans and the substitutions of new currency for torn bills make it extremely difficult to arrive at conclusions as to the amount in circulation at any given time. A careful and laborious investigation of the records made by Dr. Henry Bronson and the patient analysis of what was found there was published in the first volume of the papers of the New Haven Historical Society. Trumbull, the historian of Connecticut, a contemporary writer, deals to some extent with the currency question, but his observations are of little value. He was optimistic in his views and did not realize what was going on about him.<sup>1</sup> Failing to take into account the effect of the circulation of the other colonies, his approval of the moderation of Connecticut leads him to conclude that there was little or no depreciation of the bills of credit before the Spanish war in 1740.

The currency question in the other colonies has interested students and in some of them investigations have been made which furnish material for comparison with the fluctuations of silver in New England. While there has been no attempt in this volume to enter into any explanation of the causes which rendered New York and Pennsylvania partially immune from the severe penalties paid by the New England colonies for their infatuation, it is perhaps desirable to refer here to certain publications, which touch upon these questions.

<sup>1</sup> A complete history of Connecticut, civil and educational, from the emigration of its first planters, from England, in the year 1630, to the year 1764, and to the close of the Indian wars, in two volumes, by Benjamin Trumbull, D.D., New Haven, 1818, vol. 2, ch. 3, p. 46, *et seq.*

This work was performed for New York by John H. Hickcox, who published *A History of the Bills of Credit or Paper Money issued by New York, etc., in 1866.*<sup>1</sup> The subject has also found treatment at the hands of Horace White in a tract entitled "New York's Colonial Currency."<sup>2</sup>

In Pennsylvania the subject of the currency attracted the attention of Franklin and in 1729 he published a pamphlet on the subject.<sup>3</sup> His interest was further shown by his introduction into the *General Magazine*,<sup>4</sup> of the articles of the Massachusetts silver bank and the prospectus of the Land Bank. Thomas Pownall in his *Administration of the Colonies*, enters somewhat at length into a discussion of the utility of paper money and embodies in his work what he terms a "very judicious tract written and given to me several years ago by Tench Francis, Esq; late attorney general of the province of Pennsylvania, conversant in these matters both as a lawyer and a merchant."<sup>5</sup> Pownall entitles the tract "Considerations on a Paper Currency." It does not deal specifically with the Pennsylvania currency, but contains the opinions of an intelligent observer based upon con-

<sup>1</sup> A history of the bills of credit or paper money issued by New York, from 1709 to 1789, with a description of the bills and a catalogue of the various issues, by John H. Hickcox, Albany, 1866.

<sup>2</sup> Published in *Sound currency*, a serial issued by the Sound Currency Committee of the Reform Club, New York, vol. 5, no. 5. New York, March 1, 1898.

<sup>3</sup> A modest inquiry into the nature and necessity of a paper currency. Works of Benjamin Franklin, etc., by Jared Sparks, Boston, 1836, vol. 2, pp. 253-277.

<sup>4</sup> The general magazine and historical chronicle for all the British plantations in America [1741].

<sup>5</sup> "The administration of the colonies by Thomas Pownall," etc., was first published in London in 1764. It went through several editions, the second being published in London in 1765. In this edition the tract in question is to be found on pp. 114-150.

tact with the experiences of that province. A special study of the emissions of Pennsylvania was recently made by C. W. Macfarlane and published under the title of *Pennsylvania Paper Currency*.<sup>1</sup> The value of Mr. Macfarlane's account is greatly augmented by a prolonged and careful study of the effect of the inflation upon the prices of certain articles, the selection of which was apparently governed mainly by the opportunities afforded for obtaining quotations. These prices he has with great patience tabulated and thus brought together material of great value to the student of topics of this sort. The subject was also treated by Mr. Phillips in the collection of tracts which he published on colonial currency.<sup>2</sup>

The early plunge which South Carolina took into the sea of inflation soon caused her population to experience in anticipation of her northern neighbors all the evils which arise from reliance upon a nominal and artificial measure of value entirely disproportionate in quantity to the needs of the community. The colonial legislation of South Carolina has been published by the state, and in the pages of these volumes will be found most of the statutes which provided for the emission of bills of credit. The editor of the second volume appended a note on the current values of coins which contains much material of interest.<sup>3</sup> The editor of the ninth volume appends without comment a statute passed in 1712 for the emission

<sup>1</sup> See *Annals of the American Academy of Political and Social Science*, vol 8, pp. 50-126. Philadelphia, 1896.

<sup>2</sup> Historical sketches of the paper currency of the American colonies, etc., the special title of this tract being *An historical sketch of the paper money issued by Pennsylvania*, together with an appendix containing a complete list of all the dates, issues, amounts, denominations and signers, by Henry Phillips, Jr.

<sup>3</sup> The statutes at large of South Carolina, edited under authority of the legislature, by Thomas Cooper, 1837, vol. 2, p. 708, *et seq.*

of £52,000 and an account of the several issues of currency down to 1739 with comments on the fluctuations of silver. This account is evidently contemporaneous, but there is nothing in the volume to indicate whether it was a reprint or whether it was published from manuscript. It is obviously the report submitted to Parliament which was referred to in a previous chapter.<sup>1</sup>

Ramsay in the second volume of his history of South Carolina gives an interesting and intelligent account of the currency movement.<sup>2</sup> Judge Brevard made free use of Ramsay's work in a much more elaborate treatise upon the coins in use in the province and the currency emissions which forms a part of the introduction to his digest of the laws of South Carolina.<sup>3</sup>

The editor of the second volume of the statutes at large, in the still more elaborate note which he appended to that volume, which has already been referred to, in turn relied upon both Ramsay and Brevard. More recently, Edson L. Whitney has devoted a chapter to the currency in his monograph entitled *Government of the*

<sup>1</sup> An account of the rise and progress of the paper bills of credit in South Carolina, from the year 1700 to this present time, together with the computed value in money of Great Britain, of such bills, at the respective times of their creating and issuing, and the value of such bills in money of Great Britain at this time, and also an account of the rates and prices of gold and silver coin in the province of South Carolina in the years 1700, 1710, 1720, 1730, and at this present time. *The Statutes at large, etc.*, vol. 9, edited by D. J. McCord, Columbia, 1841, appendix pp. 766-780 inclusive.

This tract was republished by the Sound Currency Committee of the Reform Club of New York, February 15, 1898, in no. 4, vol. 5, of *Sound Currency*, under title of *South Carolina's First Paper Money* [written in 1739—author unknown].

<sup>2</sup> The history of South Carolina from its first settlement in 1670 to the year 1808, in two volumes, by David Ramsay, M.D., Charleston, 1809, vol. 2, pp. 160, *et seq.*

<sup>3</sup> Alphabetical digest of the public statute law of South Carolina, by Joseph Brevard, Charleston, 1814. Introduction, pp. xi, xii.

Colony of South Carolina,<sup>1</sup> the value of which is greatly increased by copious references to the statutes.

The history of the currency of New Jersey has not attracted the same attention as that of the colonies above mentioned. Mr. Phillips furnished the treatise on this subject included in his *Historical Sketches of the paper currency of the American colonies*.<sup>2</sup>

An analysis of the act passed in 1733, whereby Maryland furnished her citizens with public bills of credit for currency, is to be found in a note by the editor of the laws of Maryland which was published in 1765.<sup>3</sup>

The history of the currency emissions of the province of North Carolina remains to be written.<sup>4</sup> The publication of the colonial records furnishes abundant material for a general sketch but the records are deficient as to details.<sup>5</sup> These volumes are not indexed, nor do they contain any tables of contents. An examination, page by page, is the only satisfactory manner of determining what is to be found therein bearing upon this question. A search of this kind will reveal a statement of out-

<sup>1</sup> Johns Hopkins University studies in historical and political science, 13th series I-II. Government of the colony of South Carolina, by Edson L. Whitney, Baltimore, 1895, chapter 10.

<sup>2</sup> An historical sketch of the paper money issued by New Jersey, by Henry Phillips, Jr.

<sup>3</sup> Laws of Maryland at large, with proper indexes, etc., together with notes and other matters relating to the constitution thereof, extracted from the Provincial records, by Thomas Bacon, etc., Annapolis, 1765, ch. 6, 1733.

<sup>4</sup> As in the case of New Hampshire, this statement must be modified in consequence of the publication of *Essays on the monetary history of the United States*. Part II is entitled *The paper currency of North Carolina*. Our period is covered by chapters 1 and 2.

<sup>5</sup> The colonial records of North Carolina published under supervision of the trustees of the public libraries by order of the general assembly. Collected and edited by William L. Saunders, Secretary of State, Raleigh, 1886. For information collated by the editor, see prefatory notes to vol. 2, pp. 4, 5, and prefatory notes to vol. 3, p. 22.



standing bills which was submitted to the Duke of Newcastle in 1731.<sup>1</sup> Another, apparently made in 1733 will be disclosed,<sup>2</sup> and also one made in 1736.<sup>3</sup> Still another is given which must have been made in the latter part of 1739,<sup>4</sup> covering all emissions up to 1740. We can trace the conflicts connected with the adoption of a new tenor bill, which was apparently accomplished in April 1748,<sup>5</sup> and finally the statement September 29, 1750, that there were then in circulation of these bills £20,646. 14s., 0d., equal to £15,485. 1s. sterling, the same being their full value in proclamation money which they had sustained without discount from the date of their emission.<sup>6</sup> We can find statements that the first bills bore interest,<sup>7</sup> and that some of the bills were endowed with limited legal tender attributes.<sup>8</sup> At the date of the first emission in 1712, trade was almost exclusively by barter, and various articles or commodities were rated in 1715, apparently with a view of furnishing a basis for their reception by way of trade as well as for furnishing a rate at which the government would receive them.<sup>9</sup> Up to and including the emissions of 1735, there had been put out on funds and by way of loan, 1712 to 1735, £140,500, of which there remained in circulation

<sup>1</sup> Colonial records of North Carolina, etc., vol. 3, p. 145.

<sup>2</sup> *Ibid.*, vol. 3, p. 484.

<sup>3</sup> *Ibid.*, vol. 4, pp. 178, 179.

<sup>4</sup> *Ibid.*, pp. 418, 419.

<sup>5</sup> *Ibid.*, pp. 878, 927, 932.

<sup>6</sup> *Ibid.*, p. 1073.

<sup>7</sup> *Ibid.*, vol. 3, p. 484.

<sup>8</sup> *Ibid.*, vol. 4, p. 418.

<sup>9</sup> These were Indian corn, tallow, beaver and otter skins, butter, raw buck and doe skins, feathers, pitch, pork, tobacco, leather, wildcat skins, cheese, dressed buck and doe skins, tar, whale oil, and beef. Vol. 4, p. 920.

at that time £52,500 and the greater part of this amount remained out until the attempt was made to call the bills in in 1745. Exchange in 1731, with about £40,000 in circulation was rated at about eight in public bills of credit for one sterling.<sup>1</sup> With a little over £50,000 in circulation in 1735 and thereafter until 1740 the rate was ten for one.<sup>2</sup> This would seem to indicate that a circulation of public bills in excess of £5,000 sterling carried with it a proportionate discount, but when a new bill was issued 1748, £21,350 proclamation money were emitted being equal to £16,012, 10s. sterling and two years after £20,646, 14s. of these bills, then remaining in circulation, were said to have remained at the value at which they were issued.<sup>3</sup> This brief outline of the facts relative to the North Carolina currency to be obtained from the published records will sufficiently indicate the value of these volumes to the student of this subject.

Douglass winds up the portion of his "Discourse concerning the currencies, etc.," which is devoted to the continental colonies with the following: "In the new colony of Georgia, their currency are the trustees sola<sup>4</sup> bills sterling; the funds are the allowances by Parliament, and private subscriptions to carry on the settlement." In these words we have a description, accurate as far as it goes, of a currency which circulated for a

<sup>1</sup> *Ibid.*, vol. 3, p. 283.

<sup>2</sup> *Ibid.*, vol. 4, pp. 345, 418.

<sup>3</sup> *Ibid.*, vol. 4, p. 1073.

<sup>4</sup> The meaning of the expression "sola bill," becomes obvious after a moments reflection. These bills were intended for currency. They could not circulate if issued in sets. The bill which was emitted had no duplicate and was, therefore, the sole or only bill. The expression must have had a recognized commercial meaning in those days, but it has made no impression upon our legal practice and is not to be found in our law dictionaries.

few years in the infant colony of Georgia. It was the only currency used in the colonies which circulated on a sterling basis and although drawn, as appears from the copies of bills furnished by historians, at thirty days sight it is said to have been freely received at its face value. Stevens gives a copy of one of these bills for one pound drawn to the order of James Oglethorpe, and says that while Oglethorpe was in Georgia they were to be issued only to him.<sup>1</sup>

Jones gives a copy of a bill for the same amount dated 1749. It is drawn to the order of four named persons and was payable to them or any two of them. The bill in question was indorsed by two of the payees payable to a third person who endorsed it in blank. These bills were each of them headed "Georgia Bills of Exchange payable in England," and each on its face was termed "this sola bill of exchange." Jones says that specific report was required by the trustees to be made of the purpose for which each bill was issued, and adds "More than one hundred and thirty-five thousand dollars were thus sent over to the colony at different times and disbursed in payment of salaries and in discharge of other expenses connected with the execution of the trust."<sup>2</sup> The official account of the progress of the colony published by order of the trustees, under the heading "From the 9th June, 1738 to the 9th June, 1739," says: "The trustees published an advertisement in the *London Gazette*, and ordered it to be published in the *South Carolina Gazette*, and to be affixed upon the doors the store houses at Savannah and Frederica that

<sup>1</sup> The history of Georgia, etc., by Rev. William Bacon Stevens, M.D., vol. 1, pp. 314-316, 402.

<sup>2</sup> The history of Georgia, by Charles C. Jones, Jr., LL.D., vol. 1, pp. 429-430.

out of a due regard to public credit they had resolved that all expenses which they had ordered or should order to be made in America for the use of the colony should be defrayed and paid for in Georgia, in sola bills of exchange only, under their seal; and they gave notice, that no person whatsoever had any authority from them or in their name, or for their account, to purchase or receive any cargoes of provisions, stores or necessaries, without paying for them in the said sola bills."<sup>1</sup> This action was attributed by McCall to frauds practiced upon the trustees by certain merchants and captains of vessels.<sup>2</sup> The trustees of the colony were scrupulously careful in providing for the redemption of all the bills reported to them as having been issued.

<sup>1</sup> An account, showing the progress of the colony of Georgia, in America, from its first establishment. Published per order of the Honorable the Trustees. London, 1742. Reprinted, Annapolis, 1742. Collections of the Georgia Historical Society, vol. 2, p. 297.

<sup>2</sup> The history of Georgia, etc., Capt. Hugh McCall, Savannah, 1811. Vol. 1, p. 120.

# APPENDIX A.

## OLD COLONY BILLS.

Year.	Month.	Emission.	Taxes Laid as a Fund.	Remarks.
1690--	Dec. 10	7,000	1692	} £7,000 were first emitted, then indefinite authority was given. May 20, 1691, the total emission was limited to £40,000. All were called in in 1692.
1691--	Feb. 3		-----	
	May 20	33,000	1692-93	
1693--	Dec. 11	500	-----	} This emission was redeemable in silver. £1,500 were authorized to be prepared in 1693, of which £500 were issued. £700 more were issued in 1694. These two emissions were included in the £5,000 authorized June 22, 1694.
1694--	June 20	700	1694	
1694--	June 22	3,800	1694	
1694--	Oct. 31	3,000	1694	
1695--	March 16	4,000	1695	
1695--	June 28	5,000	1695	
1696--	March 7	4,000	1696	
1696--	June 17	4,000	1696	
1696--	Oct. 3	2,000	1696	
1696--	Dec. 19	3,000	1697	
1700--	March 23	2,000	1700	
1701--	April 19	1,000	-----	
1701--	July 4	6,000	1701	
1702--	June 26	3,000	1702	
		82,000	-----	The several tax funds exceeded this amount by over £33,000.



## APPENDIX B.

### INVOICE OF SILVER AND COPPER.

1749. Invoice of Silver and Copper purchased by order of the Honourable the Great and General Court of His Majesty's Province of the Massachusetts Bay in America by the Hon<sup>ble</sup> Sir Peter Warren, Knight of the Bath and William Bollan, Esquire; shipped on board His Majesty's ship Mermaid, Captain John Montague commander, bound to Boston for Account and on the Risque of the said Province to be delivered to the Treasurer of the same for the time being, viz:

M. B.

	Oz.
N. 1 @ 206 chests each containing 3,000 ounces of milled pcs of 8/8 in bags . .	618,000
207 @ 214 containing each 3,000 ounces Pillar pcs of 8/8 . . . . .	24,000
215 containing Halves do . . . . .	3,000
216 containing, oz., 1,000 Halves do } 876¾ Mixt do } 281¼ Milled } 423½ do Half } 418½ do Small }	3,000
217 containing milled pcs of 8/8 . . .	2,000
<b>Total six hundred and fifty thousand oz.</b>	<b>650,000</b>

Bought at the prices following:

Of	Oz.	lb	
June, John Bristow, Esq. . . . .	11 265	5/3¾	£ 2,992: 5: 3
Mr. Nicholas Magens . . . . .	8,668	do	2,302: 8: 9
Mr. Peter Simon . . . . .	8,793	do	2,335: 12: 9
Mr. Elias Bland . . . . .	5,000	do	1,328: 2: 6
John Gore, Esq. . . . .	8,664½	do	2,301: 10: 1
Mr. De Castro . . . . .	11,502	do	3,055: 4: 4
Sir Charles Leblanc . . . . .	1,300	do	345: 6: 3
Mr. John Bland . . . . .	5,000	do	1,328: 2: 6
Mr. Fonseca . . . . .	911	do	241: 19: 8
Mr. Gonsales . . . . .	14,291½	do	3,796: 3: 7
Mr. Fraucos . . . . .	3,391½	do	900: 17: 4
Mr. Crockat . . . . .	1,071½	do	284: 12: 4
Mr. Jacob Mendez . . . . .	26,195¾	do	6,958: 4: 11
Mr. Miguel Ventades . . . . .	260,128½	5/4	69,367: 12: 0
John Bristow, Esq. . . . .	11,735	5/3¾	3,117: 2: 2
Gov. & Co, Bank of England	243,750	5/4	65,000: 0: 0
Mr. John Bland . . . . .	15,000	5/3¼	3,953: 2: 6
Mr. John Philips . . . . .	6,031½	5/3½	1,834: 5: 0¼
Mr. Henton Brown . . . . .	4,398¼	5/3¼	1,159: 2: 4
Mr. John Bland . . . . .	2,000	do	527: 1: 8
	650,000		£ 173,129: 5: 11¾

Paid Mr. Moccato brokerage on 377,- 916¾ oz., value £100,655..4..5 @ 2/6 p £100 is . . . . .	£	125..16..0	
Paid the Gov <sup>r</sup> and Company of the Bank of England for exchanging 59,962½ oz. @ 1/2 . . . . .		124. 18..5¼	
Paid John Bland for exchanging 10,000 oz. @ 1/4 . . . . .		10.. 8..4	
Paid Messrs. Pewtress and Green, warehouse keepers for Bags, Boxes, Cartage of the Silver from the Bank to the Waggon in South- wark and for their Care and Trouble in the assortment of the Money p Bill . . . . .	143.. 5..11	£	404 . 8.. 8¼

Copper coined in Halfpence & Far-  
things bought at his Majesty's  
Mint viz<sup>t</sup> :

*Tons. Cwt.*

7 18 of Halfpence @ £10..11..4 p Cwt. . . . .	£1,669..10..8	
2 2 of Farthings @ £10..10..4 p Cwt. . . . .	441..14..0	
10 Tons cost . . . . .	2,111.. 4..8	
Paid for 100 casks @ 1/9 each . . .	8..15..0	
Paid to Porters for loading them .	10	2,120.. 9.. 8

Paid Fees at the Custom House to  
Searchers and for Officers attend-  
ance at the Bank . . . . . 9.. 5.. 8

Paid George Clark, carrier, for car-  
riage of the silver and copper from  
Southwark to Portsmouth, and for  
the Hire of Vessels to carry it on  
board the Mermaid . . . . . 157.. 1.. 0

Paid the escort of a Serjeant and  
Twelve Men who guarded the  
Money to Portsmouth . . . . . £ 24..13.. 6

Paid charges upon the road and un-  
lading at Portsmouth . . . . . 3..10..10

Paid the Searchers at Portsmouth . 10.. 6 28..14..10

Paid for the Insurance of  
£175,000 at 2 p cent, to  
pay 98 in case of a loss,  
viz. : To the Gov<sup>r</sup> & Com-  
pany of the London As-  
surance for £50,000 . . . £1,000

5 p. cent Discount for  
prompt payment . . . . . 50

Policy . . . . . 950  
4..6 £ 950..4..6

To the Gov <sup>r</sup> & Co of the			
Royal Exchange Assur-			
ance for £40,000 . . . .			
	800		
5 p. cent Discount for			
prompt payment . . .			
	40		
	<hr/>		
	760		
Policy . . .	4..6	760..4..6	
To Mess <sup>rs</sup> Godin and Güon,			
Brokers, for £85,000 . . .			
	1,700		
Two Policies .	9	1,700..9..0	3,410..18..0
	<hr/>	<hr/>	<hr/>
Total . . . .			£179,260.. 3.. 2
Portsmouth, 12th August, 1749.			
Errors excepted.			

P. WARREN,  
W. BOLLAN.

## APPENDIX C.

### APPENDIX : ACCOUNT CURRENT OF SIR PETER WARREN AND WILLIAM BOLLAN.<sup>1</sup>

Dr. The Province of the Massachusetts Bay in America in account current with Sir Peter Warren, Knight of the Bath, and William Bollan, Esq.

1749	
June 16—To fees paid at the Exchequer, vizt :	
Tellers ---	453 — 1
Auditors__	321 14 9
Pells -----	98 6
	<hr/>
	873 10
Whereof there was next day returned as an over-charge -----	107 2 9
	<hr/>
Nett fees-----	765 18 1
July 28—To cash deposited in Sir Peter Warren's hands to answer the claim for the hyre of the ship Molyneux----	802 19 9
To cash the amount of the invoice of silver and copper purchased and insurance thereon	179,260 3 2
To commission of ½ per cent. on receiving the money at the Exchequer -	918 4 10
Do of 1 per cent. on the amount of the invoice--	1792 12 0
	<hr/>
	2,710 16 10
	<hr/>
	183,539 17 10
Ballance paid to William Bollan, Esq., towards defraying expenses at the Council Office and treasury, for which he is to account-----	109 4 9½
	<hr/>
	183,649 2 7½

1749	
June 16—By the sum of money voted to the Province by Parliament owned by the Lords Commissioners of his Majesty's Treasury to be paid at the Exchequer this day received there-----	
	£183,649 2 7½

Errors Excepted Portsmouth the 12th August, 1749.

P. WARREN,  
W. BOLLAN.

<sup>1</sup> Cf. p. 241.

## APPENDIX D.

## THE ENGRAVED PLATES AND THE DENOMINATIONAL CHANGES 1690-1750.

## THE OLD COLONY BILLS.

2s	2s	5s	10	20s	60s	100s	200s
----	----	----	----	-----	-----	------	------

1690.

## THE OLD TENOR BILLS.

Shewing the grouping on the plates and the denominational changes.

Lowest Plate.

Middle Plate.

High Plate.

1702.	2	2	2	6	2	6	FIRST SET OF DESIGNS.			20	20	60	100
1708.	—	—	—	—	—	—	5	10	20	40	—	—	—
1709.	—	3	—	—	—	—	—	—	20	40	—	—	—
1710.	—	—	—	—	—	—	—	—	—	—	—	—	—
1711.	2	2	6	3	3	6	4	5	10	20	4	50	—
1713.	1	1	6	2	2	6	SECOND SET OF DESIGNS.			40	50	60	100
1714.	—	—	—	—	—	—	3	5	10	20	30	40	100

## THE PARCHMENT TOKENS FOR SMALL CHANGE.

1d.	2d.	3d.
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1722.

[Continued on page 112.]



## APPENDIX D.—(CONTINUED.)

## THE NEW TENOR BILLS.

FIRST SERIES.—Including the separate emission for small change.

Probably two engraved plates													
Printed from separate wood cuts.													
1d.	2d.	3d.	4d.	5d.	6d.	10d.	1/8	3/4	6/8	10/	20/	30/	40/
1737.													
SECOND SERIES.													
Third Plate.						Second Plate.				First Plate.			
2d.	4d.	6d.	8d.	1/	2/	3/	4/	5/	10/	15/	20/	30/	40/
--	--	--	3d.	--	9d.	1/3	2/6	--	--	--	--	--	--
Not authorized by Act of 1744. Designs same as Third Plate 1742.						THIRD SERIES. Not authorized by Act of 1744. Designs same as Second Plate 1742.							
2d.	4d.	6d.	3d.	1/	9d.	1/3	2/6	5/	10/	15/	20/	30/	40/
1742.													
1743.													
1744.													

THE SMALL BILLS AUTHORIZED IN 1749.

1750.	1d.	3d.	4½d.	6d.	9d.	1/6.
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# APPENDIX E.

## EMISSIONS AND RETIREMENTS, 1702-1749, INCLUDING LOANS.

Year	Outstand- ing May 1st.	Emissions each year May 1 to May 1.	Retirements same period.	Remarks.
1702	-----	5,000	-----	
1703	5,090	32,000	11,500	
1704	25,500	32,000	22,000	
1705	35,500	18,000	22,000	
1706	31,500	44,000	26,000	
1707	49,500	32,000	22,000	
1708	59,500	32,000	22,000	
1709	69,500	46,000	-----	
1710	115,500	44,000	22,000	
1711	137,500	95,000	-----	£50,000 loan acct Quebec expedition.
1712	232,500	25,000	22,000	
1713	235,500	14,000	22,000	
1714	227,500	64,000	47,000	£50,000 loan this year to inhabitants of province. Payment of Quebec loan arbitrarily assigned to years 1714-15.
1715	244,500	8,000	47,000	
1716	205,500	111,000	32,000	£100,000 loan 1716—emitted 1717.
1717	284,500	9,000	32,000	
1718	261,500	11,000	32,000	Payment of £50,000 loan five annual instalments—1716-1720.
1719	240,500	15,000	26,000	
1720	229,500	65,000	27,000	£50,000 loan to towns. A deficiency tax £13,250, laid in 1721.
1721	267,500	17,000	16,200	
1722	268,300	45,000	16,000	
1723	297,300	40,000	17,000	
1724	320,300	55,000	24,600	
1725	350,700	70,000	29,700	
1726	391,000	25,000	39,700	
1727	376,300	88,000	140,000	£100,000 loan expired 1727. Payment of 1720 loan, 1726-1730.
1728	324,300	36,000	39,000	
1729	321,300	20,000	30,000	£60,000 loaned to towns, 1727.
1730	311,300	13,000	30,000	
1731	294,300	23,700	23,500	
1732	294,500	-----	26,000	
1733	268,500	79,200	21,000	
1734	326,700	29,600	46,900	
1735	309,400	39,300	58,300	Payment of £60,000, 1734-38.
1736	290,400	48,000	59,100	
1737	279,300	81,000	80,900	
1738	279,400	26,400	62,800	
1739	243,000	-----	37,500	
1740	205,500	80,000	95,100	
1741	190,400	120,000	27,000	
1742	283,400	117,400	86,500	
1743	314,300	85,400	94,900	
1744	304,800	344,100	105,100	
1745	543,800	1,040,000	138,400	
1746	1,445,400	661,600	133,600	
1747	1,973,400	348,000	186,100	
1748	2,135,300	400,000	415,500	
1749	2,119,800	-----	300,000	
1750	1,819,800	4,634,700	2,814,900	



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